NOVEMBER 3, 1986 THREE DOLLARS

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Forbes

THE 200 BEST SMALL COMPANIES IN AMERICA

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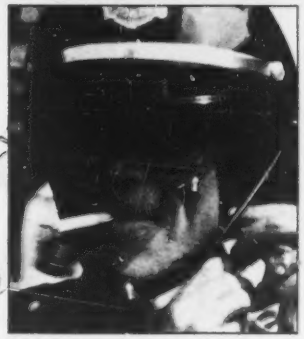

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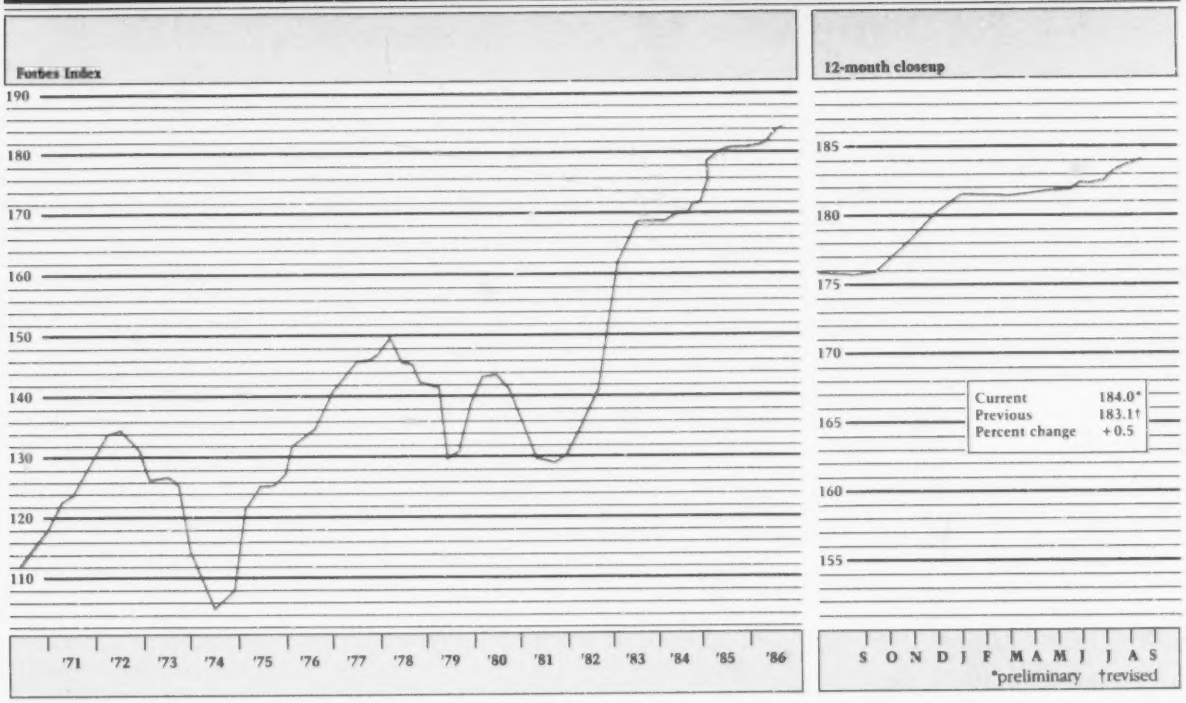
The Forbes Index



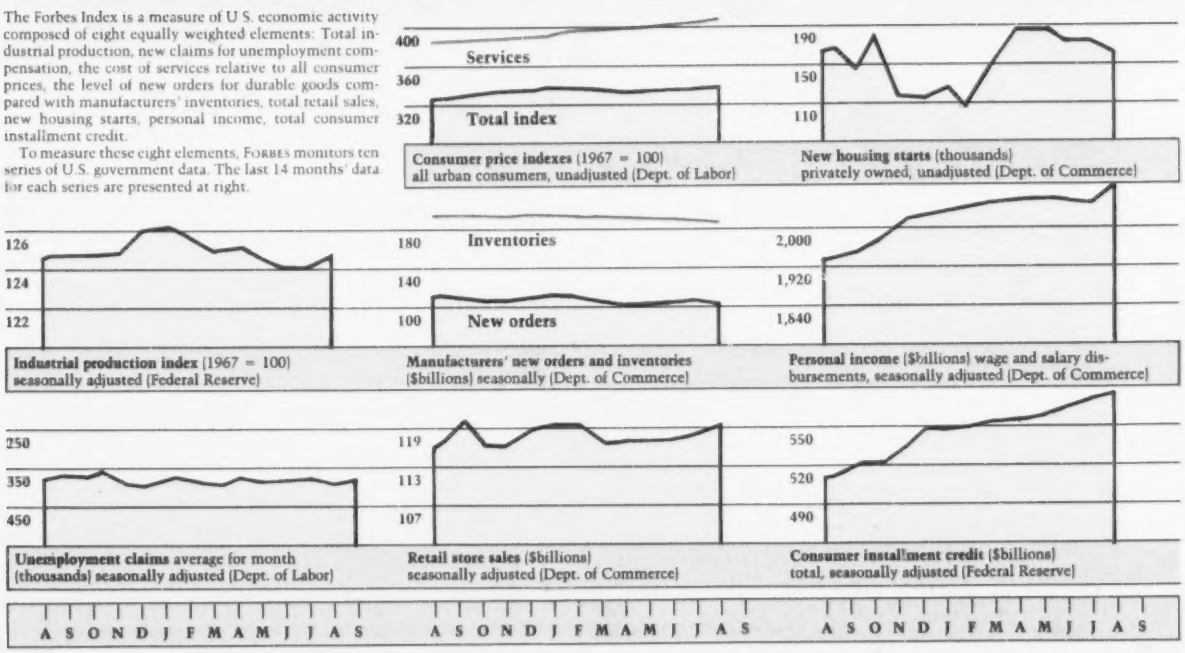
Employment helps. The Forbes Index went up 0.5% during the latest reporting period, the largest gain since January, when the Index rose by 0.6%. Mainly responsible for the increase was a decline in new unemployment claims, which fell 3.7% from August to September, the sharpest month-to-month drop since January.

Two other items also boosted the Index. Consumer installment credit gained 0.7% in August, but should post a bigger gain in September because of auto financing incentives. There was also a 0.2% increase in the ratio of manufacturers' new orders for durable goods to inventories. Since May durable goods orders have gone up 0.3%, while inventories have fallen 0.6%. This could be the beginning of the long-expected lift from the weaker dollar.

The Forbes Index Components

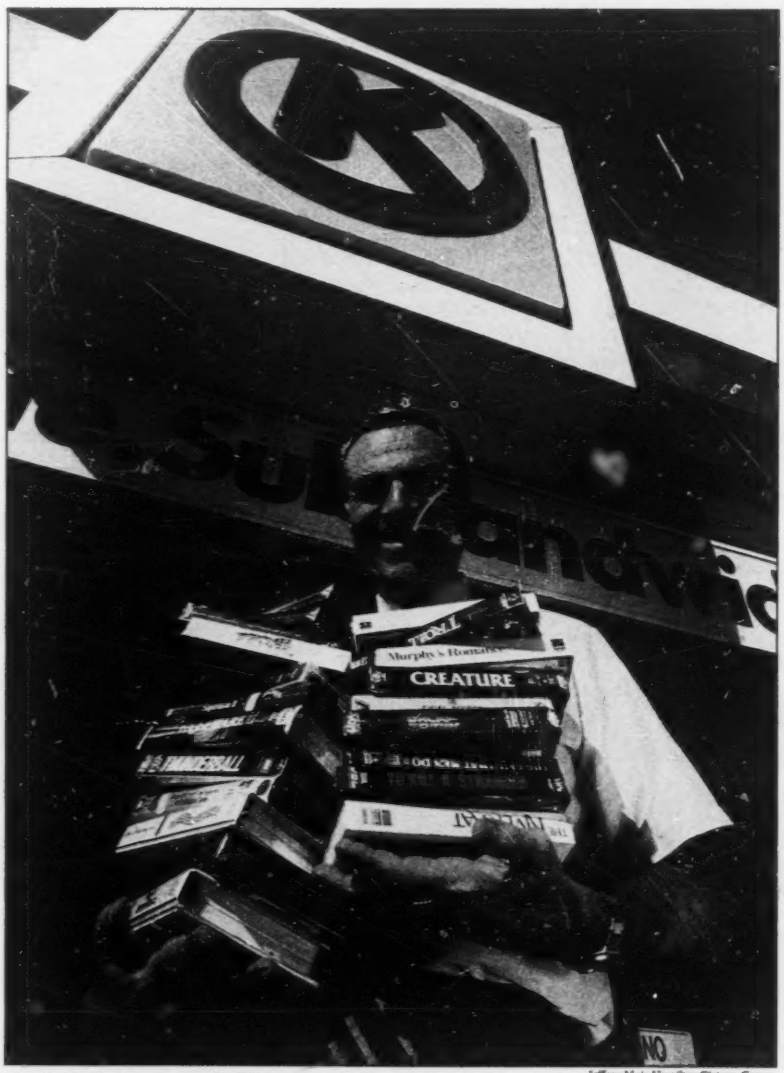
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


400
Services
360
Total index
320
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
190
150
110
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
126
124
122
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
180
Inventories
140
New orders
100
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
2,000
1,920
1,840
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
119
113
107
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
550
520
490
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
A S O N D J F M A M J J A S
A S O N D J F M A M J J A S
A S O N D J F M A M J J A S

Once stores of last resort, convenience stores are retailing's hottest trend. Tough luck, Safeway. Watch out, McDonald's.

Stores for our times



Circle K Chairman Karl Eller
"We are a massive distribution system."

Jeffrey Muir Hamilton/Picture Group

By Lisa Gubernick

IF WE ARE WHAT WE BUY and how we buy it, there is much to be learned about late-20th-century Americans from the convenience store. Until recently these shops were often in the wrong part of town, dimly lit magnets for holdup men, stores of last resort if you were out of milk or low on gas.

But forget the image, which was exaggerated in the first place. Last year 75,000 convenience stores generated $65 billion in sales. A mere decade ago 30,200 stores grossed $8.6 billion.

Fortunes are being made. Five years ago the market value of Circle K, a big convenience store chain, was $127 million. Now it is $601 million.

Why the popularity? To a society where two-income and single-parent families are becoming the norm, the convenience store offers what its name suggests: a method of cramming the most chores into the least time. "We're a massive distribution system," explains Circle K's Chairman Karl Eller, 58. "Whatever we can push through that store, we will."

At a 7-Eleven store you can punch an automated teller machine to get $100 from your bank account, buy groceries, pick up a roast beef sandwich and fill up your gas tank. At a Circle K store in downtown Phoenix you can do all that plus rent the latest videocassette, pick up a Dunkin' Donut and pay for it with a debit card issued by a local bank. No moving from store to store. No parking and reparking the car.

Of the nine publicly owned convenience store chains *(see table, p. 42)*, three are grabbing the best part of the growth. Southland Corp.'s 7-Eleven is the heavyweight. Started in 1946 and first with everything from Slurpees to ATMs, 7-Eleven now owns 8,200 stores (in the U.S. and Canada), grossing $7 billion among them.

But the shares are shifting. "7-Eleven was Godzilla," says V.H. (Pete) Van Horn, president of Houston-based National Convenience Stores (NCS), which owns and operates 958 stores, mainly with the Stop N Go logo. "Now they hear Eller's footsteps."

The reference is to Karl Eller, the entrepreneur who built up Combined Communications and sold it in 1979 to Gannett Co. for $367 million. In 1983 Eller grabbed control of Circle K, which then had 1,221 stores. Now it has 3,435, grossing $2.1 billion.

Carl Lindner's American Financial Corp. bought $30 million worth of

Combined Communications and ended up with 5% of Gannett (now worth over $200 million). He now owns 25% of Circle K and 10% of Van Horn's NCS, the third-largest public chain (Cumberland Farms, with 1,167 stores, is privately owned), and has a 20% position in Sunshine-Jr. Stores, Inc., a 339-store Florida outfit.

In 1980 more than half of Americans shopped for groceries in conventional supermarkets. By 1984 that number had dropped to 39.2%, and it is dropping still. Some of that business shifted to superstores (minimum of 30,000 square feet), where customers accept long lines and skimpy service in return for low prices and vast selections. Convenience stores, by contrast, charge high prices—89 cents for a loaf of bread, vs. 55 cents at a nearby supermarket—but provide the kind of service required by a society in which time has become the most important commodity.

"Convenience stores," says Montgomery Securities analyst Bo Cheadle enthusiastically, "sell customers back their time."

When OPEC created the self-service gas station by making motorists price-conscious, the convenience stores were the unintended winners. They bought out thousands of old full-service-station lots on prime retail corners, increased the number of hoses and added all kinds of other merchandise. Such stations now sell one of every five gallons of gas. Typically, 50% of a store's revenues and 25% of profits are in gasoline.

Gross margins at the pump are now at a historically high 9% to 10%. But no one expects that to last, so convenience chains are busily reducing their gasoline dependence. Fast foods, with gross margins upward of 50%, are the answer.

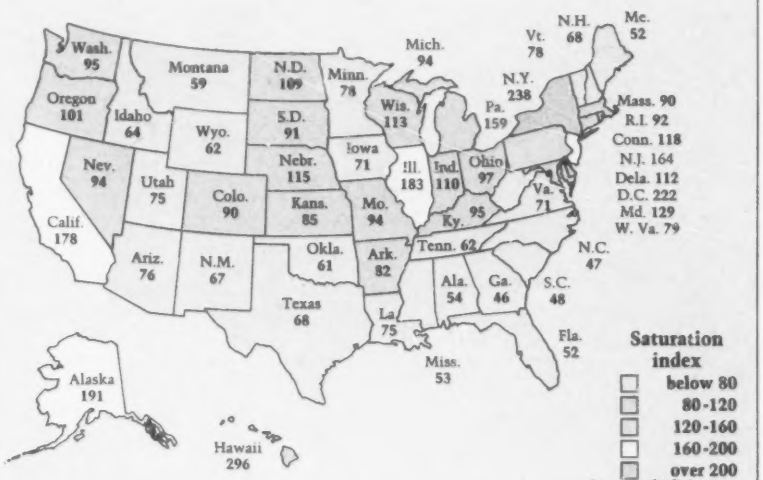
About eight years ago convenience stores started plugging in microwave ovens. The fast-food industry yawned. A mistake. Today convenience stores sell everything from frozen French bread pizza to hamburgers-to-heat. At Circle K, fast food accounted for 6% of sales in 1983. This year: 9%.

This is bad news for McDonald's, Wendy's and the rest of the fast-food industry. Why not gas your car and buy some groceries while you are waiting for your burger to be cooked—all in one place? Convenience stores have already helped slow growth at the golden arches to single digits, spurring McDonald's to test McSnack outlets for the diner on the go.

Food, beer, gas—what else does the modern American consumer need? But of course: the videocassette.

Market potential

The country's average convenience store gets 654 customers each day. Its index is 100. In the map below, any number that is above the average implies there is still room for growth.



Source: CACI Inc.

Videocassette rentals are the newest game on the convenience store circuit. Circle K and 7-Eleven are rolling out videotape rental programs as fast as they can, charging 99 cents on weekdays, $1.99 on weekends. Although selections are limited as yet, "convenience stores will end up the winners," predicts Montgomery Securities' Cheadle, referring to the shakeout now consuming the video rental business. "Those outlets marginally profitable at $3 a tape will have a tough time competing."

A Circle K study shows 55% of the customers coming in to rent cassettes are new customers, and 45% are women. But that's not the best of it. What is? Replies Eller: "They have to come in twice."

On the surface, the convenience store is an undifferentiated product. "We are the worst thieves around," says Ray Cox, senior vice president of Circle K. "As soon as one of us finds something that works, the copycats go to work."

But at the strategy level there are substantial differences. Circle K and NCS, for example, own all their

James Schnepf

Big problem for Big Mac?
Why not get a burger while filling up the tank?

Should you buy?

Below is a list of the nine publicly traded convenience store chains (plus Cumberland Farms, the largest privately held company). Multiples are high, but so is growth.

	Revenues (millions)	Net profits (thousands)	Number of stores	% company-owned stores	P/E	Recent price	52-week high–low
Casey's General Stores	$ 285	$ 6,249	534	58%	22	15⅛	17½– 7⅞
Circle K Corp	2,111	39,800	3,436	97	19	15¼	18⅜– 9½
Conna Corp*	187	2,203	368	19	13	19½	21⅛–11⅛
Convenient Food Mart†	6.5	1,841	1,310	2	20	17½	21⅛– 5½
Cumberland Farms	1,000	—	1,167	100	—	—	—
Dairy Mart Convenience Stores	258	2,217	903	82	36	10½	15⅜– 7
Munford, Inc.	457	5,500	809	100	18	20½	24⅜–15
National Convenience Stores	950	3,582	958	100	67	10⅛	13½– 7¾
Southland Corp	12,790	212,500	7,663	62	21	46⅝	56½–36½
Sunshine-Jr. Stores	183	2,497	340	100	13	21⅜	28⅜–20

*Acquisition by Dairy Mart pending. †Primarily a licensor.

stores, while one-third of the 7-Elevens are franchised.

To build his fast-food volume, Eller is now testing a program with Hooker's Hamburgers, in which a Hooker's franchisee sets up shop alongside a Circle K. The franchisee puts up the capital, paying Circle K rent plus a royalty of 3% of revenues. "Critics say we won't have the synergism of having it inside the store," says Eller. "We say we don't have labor costs."

Eller is going in a similar direction with videocassette rentals. He signed with two independent suppliers. The suppliers worry about acquisition costs and inventory. Eller pays them a minimum of $700 a month per store—which is not too hard to achieve with a 200-tape inventory—after which he gets 30% of rental revenues. On cassettes alone, the average Circle K store probably nets back a little over $1,000 a month.

Unlike Circle K, Southland Corp. is betting its own capital on cassettes. Since April it has invested over $50 million to run its own videocassette service, buying tapes and creating a computerized checkout system. Unfortunately, installation is running months behind schedule.

Southland is also pursuing a different, and more capital-intensive, course in fast food. Southland is now a Hardee's franchisee and is installing separate Hardee's units inside several 7-Eleven stores, doubling the existing staff to handle them. Warns one competitor: "They [7-Eleven] may do 30% more volume, but they'll be hard-pressed to make money after labor costs."

What of NCS? The chain is recovering from a year in which earnings dropped 80%. Credit the sick southwestern economy and a disastrous promotion campaign.

NCS President Pete Van Horn is hinging a turnaround on Hex Stores. These are units that cost about $800,000 to build (roughly 60% more than the average), are about 3,100 square feet, some 600 square feet bigger than the average convenience store and stock around 600 more products. Where most stores have 15 gas hoses, Hexes have as many as 36. Another difference: Each Hex has a four-table dining area. Critics argue that dining areas are wasted space, that diners' parked cars make it hard for customers to get in and out quickly. Van Horn retorts that dining areas keep people in the stores. The longer they stay, the more likely they are to buy a few additional items.

To cover the construction costs, Van Horn recently completed a $40 million debenture offering. But while his new stores are doing about double the business of the average store, half of the typical Hex store's gross comes from gasoline sales.

One threat the convenience chains seem able to live with is the oil companies. Arco, Mobil, Shell and the other 15 majors now operate over 10,000 convenience stores. But milk, hot dogs and tapes are secondary to gasoline. Says Amoco spokesman Neil Geary: "We are gas marketers selling a few impulse items." Even Arco's am/pm stores, 2,400-square-foot units considered to be the best of the oil crowd's stores, rely on gasoline for 80% of their revenues.

Recognizing the virtues of specialization, Mobil is now testing a joint venture with 7-Eleven. Generally, the convenience store leases the property, paying a percentage of revenues to the gas company. This, of course, is much like the arrangement Circle K has with Hooker's.

If the convenience stores do face a threat, the threat is their own image. Open around the clock, and always with a little cash in the till, the convenience store, like the liquor store, has attracted more than its share of violent crime. This tends to frighten away some potential customers. Warranted or not, the poor image is a major reason convenience stores' customers are still mostly male.

The convenience stores are fighting the image problem with redesigns that make stores brighter inside and—more important—flood them with light outside. In a less appealing effort to upgrade its image, 7-Eleven recently trod on the First Amendment when it yanked *Playboy* and *Penthouse* out of company-owned stores.

As the stores add ATMs, dry-cleaning services and airplane-ticket dispensers, the hope is that traffic, of an upmarket sort, will snowball. In a frenetically moving society where time has become more precious than money, the convenience stores have it made. Fast, faster, fastest. ■

Worried about all the Japanese investment in the U.S.? If you want to meet people who are really scared, talk to the Europeans.

Achtung! Achtung! Die Japaner kommen!

By Edwin A. Finn Jr.

FLUSH WITH CASH from their huge trade surpluses, Japanese companies are invading Europe. Everybody wants to take their money, but nobody is happy about the imagined consequences. Last year Japanese companies invested $1.5 billion in European acquisitions and expansion, six times the 1980 level. It's possible that Europe in 1986 will attract even more Japanese investment than the U.S. Japan's total direct investment in Europe, at about $11 billion, remains about half of direct Japanese investment in the U.S. But clearly Europe is gaining *(see chart)*.

Could this signal a change in Japan's longstanding preference for investing in America? Or is it simply that the Japanese have accumulated so much foreign exchange that they are using all possible outlets? Probably the latter. Nissan Motor Corp. recently announced plans for a $500 million expansion of its plant in northern England. Sony Corp. is about to open a compact disk factory in northeastern France. A section of West Germany near Düsseldorf is so crowded with Japanese electronics companies that it has been nicknamed the Junior Silicon Valley.

There's talk that Spain, with its low wages and high unemployment, might be the next site for a major Japanese auto plant. That's particularly intriguing because, as a member of the European Economic Community, Spain has full access to European markets. Hence, the Japanese would be able to skirt European auto import quotas and keep labor costs low. Spanish autoworkers make the equivalent of about $4 an hour, almost as low as in some Third World countries.

Is the Japanese rush to Europe different from America's huge European investments in the 1960s? Yes, says Michiya Matsukawa, a former official in Japan's Ministry of Finance, now chairman of Nikko Securities' research center. "The Americans moved abroad because it was cheap," he says. "For the Japanese, the main reason is to avoid trade friction."

But that's only part of the picture. The now powerful yen makes European wages relatively low, and it makes many acquisitions seem cheap. In addition, Japanese companies find themselves showered with incentives from individual European governments: grants, low-interest loans, training programs and site-development assistance. And from the Japanese government's point of view, these big foreign investments create capital outflows that partially balance the huge foreign currency inflows resulting from Japan's terrifying trade surpluses. The Japanese already hold more U.S. government securities than any other foreign country.

"European governments are fighting each other to get Japanese investment, just like the states in the U.S.," says Sam Nakagama, head of Nakagama & Wallace Inc., a New York City-based economic advisory firm.

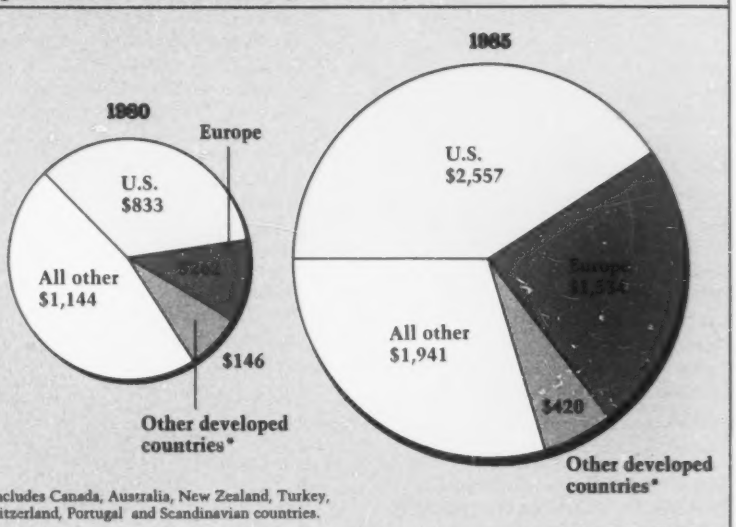
Will the until-now polite and low-profile Japanese soon blossom into doing major corporate takeovers? It's a thought that occurs to a good many eager investment banker types.

Japanese buyouts, partnerships and other investments in the U.S. have become commonplace. But similar moves in Europe seem to stir some xenophobia. Europeans are also concerned about profits forever flowing back to Japan. One European finance minister concedes that young Japanese today don't seem to exhibit the industriousness of the current generation of Japanese managers. Then he adds, "Yes, but by the time the younger generation takes charge, they won't have to work so hard. We'll all be working for them." ■

For Europe, a bigger slice

Yes, Japan's direct investment in the U.S. is growing at a quick clip. But it's expanding at an even faster pace in Europe. Japanese auto plants are springing up in England, electronics factories in France. They create new jobs but stir xenophobia, too.

Japan's direct investments ($millions U.S.)



* Includes Canada, Australia, New Zealand, Turkey, Switzerland, Portugal and Scandinavian countries.

Herewith, the country's 200 best small companies. Their secret: finding a specialty, and staying with it.

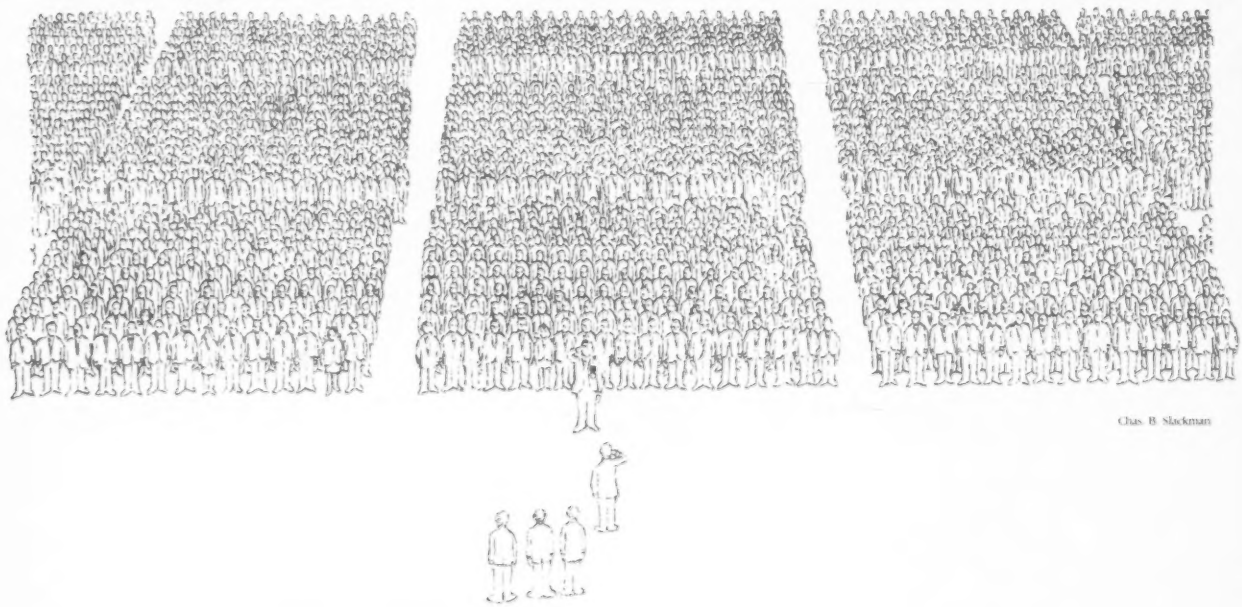
Niche list

By Steve Kichen and Matthew Schifrin

ADAM SMITH, he of *The Wealth of Nations*, would not have been surprised at (1) the high and still rising standard of American living and (2) the country's wealth of prosperous small businesses. The two, Smith understood, go hand in glove.

"The division of labour," wrote the Sage of Glasgow, "so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another seems to have taken place in consequence of this advantage." The division of labor, Smith added, "occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people."

We think Smith would have liked



Chas. B. Slackman

our annual ranking of the 200 Best Small Companies in America *(see p. 166)*. It is nothing so much as a document of capitalism's continuing drive to divide labor, and so raise productivity and material well-being. It is a list of jobs cleaved from jobs, of niches growing within niches. A niche list, if you will.

Once there was ice cream. Now there is ice cream, superpremium ice cream and, elbowing in between them, premium ice cream. In that $1 billion niche, $103 million (sales) Dreyer's Grand Ice Cream has averaged a return on shareholders' equity of 25% a year over the last five years.

Once there was pizza. Now there is $74 million (sales) Pasquale Food, of Birmingham, Ala., started 31 years ago, that sells uncooked pizzas to supermarkets, which then sell the raw pizzas in their deli departments.

Once a few wealthy people controlled most capital. Now the masses buy mutual funds. Two of the very best of our small companies *(see below)*, Pioneer Group and Eaton Vance, are mutual fund managers.

And so on through our list of niches. Telxon makes hand-held computers for inventory and order entry, and for utility meter checking. Its profits went up more than 60% last year. Graphic Technology, of Olathe, Kans., designs and manufactures custom bar-coded shelf labels. Guilford Industries is a leading supplier of fabric for freestanding office partitions. SafeCard Services sells credit card loss notifications and prepaid legal services to about 8 million of the country's 100 million credit card holders. Just 17 years old, the Fort Lauderdale company earned $14.6 million last year on revenues of $58 million. Latest 12-month return on equity: 43%.

By itself, of course, a niche does not get a company onto our list of the best small companies. To make the grade, a company must have a minimum five-year average return on equity of 10.9%, as defined by William O'Neill & Co., which supplies our raw statistical material. For the latest 12 months, profitability had to be 10% or better. Any company whose earnings fell more than 75% from one year to the following was dropped. Long-term debt must be less than equity. We also required an average annual gain in earnings per share of at least 9% over the past five years, and a five-year average annual sales growth of 8% or better.

Finally, we dropped foreign firms, banks, electric utilities and real estate investment trusts. We also dropped firms with less than five years of earnings history, and those with earnings of less than $1 million during the latest 12 months or with share prices less than $2. Let other magazines pitch the penny stocks.

As you might expect, there is strong representation on the niche list of companies in currently strong industries. From the defense trade, for example, we have American Nucleonics, Anaren Microwave, Atlantic Research, Bolt Beranek and Newman, DBA Systems, Logicon, Orbit Instrument, Radiation Systems and Watkins-Johnson. And, representing the volatile financial markets, are Quick & Reilly, a discount brokerage, Morgan Keegan, a regional securities dealer in the southeastern U.S., and mutual fund managers Dreyfus, Eaton Vance, Franklin Resources and Pioneer Group.

Apparel manufacturers and retailers are also well represented, in part because the return on equity for modestly well managed companies in

The best of the brightest

By virtue of appearing on each of our annual lists of the country's best small companies for five years running, these 14 companies join FORBES' honor roll of small companies. Note that honor roll membership and superior stock performance are not synonymous. Shares of FlightSafety International bought five years ago and held would be up just 27%. But $1,000 invested in Mylan Labs grew to nearly $21,000. In all, $14,000 invested in the group five years back would now be worth $76,521. You could have done worse.

Company	—Return on equity— 5-year average	latest 12 months	Recent price	Yield	Value of $1,000 invested 9/25/81	Chief executive
Pioneer Group	35.1%	32.5%	25¼	1.6%	$4,736	John F Cogan Jr
Mylan Laboratories	33.9	77.7	11⅜	0.6	20,833	Roy McKnight
Dreyer's Grand Ice Cream	25.3	23.8	21	2.0	3,405	T Gary Rogers
SafeCard Services	24.8	42.8	24⅞	1.0	9,159	Peter A Halmos
Eaton Vance	22.0	27.7	18½	1.3	6,435	Landon T Clay
Postal Instant Press	20.9	24.0	13¼	1.5	1,987	Thomas C Marotto
FlightSafety International	20.5	19.1	21⅜	0.9	1,266	Albert L Ueltschi
Bolar Pharmaceutical	19.1	18.8	22½	0.2	3,938	Robert Shulman
Medex	18.9	14.7	8	0.8	1,684	Craig Waldbillig
Stryker	17.7	19.1	34	—	4,341	John W Brown
Pansophic Systems	17.0	16.3	28	—	2,605	David J Eskra
Mentor	15.1	12.7	14¼	—	10,690	Christopher J Conway
Spectrum Control	14.7	17.7	11⅛	0.6	2,171	Thomas L Venable
Spectradyne	12.8	15.2	16	—	3,273	Howard T Buchanan
Total					$76,521	

Source: FORBES

Richard Wood

John Cogan Jr., president of Pioneer Group
Volatile financial markets, enviable profits.

these businesses is usually high. In this category are Cherokee Group, a manufacturer of women's footwear and apparel; Deb Shops, a rapidly expanding Philadelphia-based chain of junior sportswear; Connecticut's Dress Barn; Georgia's Banker's Note, which runs some 40 moderate- to high-priced women's specialty shops.

How do our best little companies do as investments? Exceedingly well, sometimes. In 1980 Service Corp. International traded as low as 1½ on a split-adjusted basis. Shares now trade around 32. The market value of Pittsburgh-based Mylan Labs, which manufactures generic drugs, has increased twentyfold in five years. Other big stock market winners were COMB and Cherokee Group—both previously featured as Up & Comers *(see, respectively,* FORBES, *Sept. 16, 1985 and Feb. 24, 1986)*.

But no intelligent investor need be reminded that past performance does not guarantee future performance. We asked our computer: How would we have done had we bought $1,000 worth of stock in each of last year's 200 best companies? The computer was not kind. An equal-weighted portfolio would have gained 27.5%, about in line with the 27% gain in the Wilshire 5000.

What that means, of course, is that for every Service Corp., Franklin, COMB and Cherokee, there were some real disasters: Computer Products, down 41%; Cullinet Software, down 61%.

Which leads to the most interesting question of all. How do good little companies become bad little ones?

There are many reasons. In the case of Tandon Corp., our own cross to bear [FORBES, *Nov. 7, 1983 and Aug. 12, 1985*], the stock fell 91% since 1983. Jugi Tandon may indeed be a brilliant entrepreneur. But he relied too heavily on one buyer, IBM. He also failed to adapt when his main product—floppy disk drives—became a commodity.

A company's industry obviously has something to do with it. Take oil services. Only two years ago tiny GTS Corp., a Houston-based oilfield service firm, ranked number one on our Best 200 list. Now GTS' sales have declined sharply with the rest of the industry, and it is losing money.

Susan Greenwood/Gamma Liaison

Mylan Labs' Roy McKnight
No diversification into the rough.

Note, however, that over seven computer equipment companies made our list, primarily because they are in niches where business is still strong. QMS, to take but one example, makes and markets a wide range of laser printers.

But the greater danger lies in the temptation to stray from a profitable niche. A classic example here is New York's Reeves Communications, which was ranked number 11 on our 1983 list. Reeves is in syndicated TV programs; it produces situation comedies such as *Kate and Allie* and *Gimme A Break*. A hot business. Yet over the last four years, Reeves stock has collapsed, from nearly 29 in 1982 to a recent 9.

Reeves' problem? It tried to crawl into someone else's niche. In 1981 Reeves' Chief Executive Marvin Green Jr. paid handsomely for a European book and merchandise mail order business. What hubris: Reeves had no experience in mail order, let alone overseas. To seal Green's fate, the dollar began surging. Last year Reeves lost $73 million and Green finally extricated Reeves from mail order.

SafeCard Services, a member of our honor roll, nearly blew it but reacted in time. SafeCard has survived one botched diversification attempt. A business that offered low-rate, long-distance telephone services to credit

Robert Kaufman

Gary Rogers of Dreyer's Ice Cream
"Like David against Goliath."

card holders was a bust. "We tried to run something we didn't fully understand," says SafeCard Chairman Peter Halmos. "By the time we really understood it, we saw that our margins were shrinking and we were about to lose money on every call." SafeCard got out of the business with only a $3 million writedown.

Arthur D. Perrone Jr., president of Geneva Business Services, a leading middle-market merger and acquisition firm in Costa Mesa, Calif., thinks straying from one's niche is the most lethal trap for otherwise sound little companies. "For smaller to midsize companies," warns Perrone, "the resources that it takes financially, organizationally and emotionally to go into businesses outside one's niche are underestimated in most cases."

William LeVine, 66, founder of honor roll member Postal Instant Press, of Los Angeles, agrees. With over 1,100 franchised PIP centers nationwide, PIP has a 5% share of the $4 billion instant printing market. Unlike other successful franchisers, LeVine refuses any form of diversification. "We are in the printing franchising business, not the retailing business."

Staying with one's niche does not mean staying still. That way lies ossification and death. The trick is to stick to one's specialty but to continue to improve at it.

Consider honor roll member Mylan Labs. Chairman Roy McKnight believes that as more patents expire, generic drug firms like Mylan will have to diversify to survive. Mylan's biggest boost these days comes from its patented Maxzide, an antihypertensive drug that is grossing about $5 million a month and has nearly 25% of its market. But note that McKnight insists when Mylan does diversify, it will be in health care. Vows he: "We are not going into areas we know nothing about."

Another example: honor roll member Dreyer's Grand Ice Cream. Chairman Gary Rogers' goal is for his company to become the nation's premier distributor of "premium" ice cream. That's priced below the Häagen-Dazs and Frusen Glädjé brands and above the "regular" brands, like Sealtest and store-label brands.

In its premium niche, Dreyer's is battling Dart & Kraft subsidiary Breyers. "They are expanding westward, we are expanding eastward," says Rogers, 44. "It's kind of like David and Goliath." Rather than stand still and be squashed, Rogers recently acquired mid-Atlantic ice cream distributor Berliner Foods Corp. for $8.4 million and bought U.S. distribution rights (outside the northeast) for superpremium Ben & Jerry's ice cream.

Is there any way to tell whether Dreyer's—or any of the other companies—will be on our Best 200 lists in years to come? No guaranteed way. But an amber light is flashing when a company's latest-12-month profitability drops below its five-year average return. Example: Distributed Logic ranked 96th, earned 19.3% on average over five years, but only 13.9% over the last 12 months. In such cases, beware and dig deeply.

There is another advantage behind the division of labor that Adam Smith did not address, namely, the absence in most small companies of stultifying layers of bureaucracy. This is important, for it often enables the smaller companies' managers to move quickly and take advantage of the

Michael Carroll

Eaton Vance Chairman Landon Clay
Riding the mutual fund boom.

Gerald Davis/Contact

Peter Halmos of SafeCard Services
Close call.

tides of relentless change.

Nantucket Industries, for example, manufactures underwear and hosiery, in the U.S. A cutthroat business. Yet over the last five years Nantucket's annual return on equity has averaged 14%. Secret: heavy investment in a highly efficient plant in Randleman, N.C., and smart marketing. Nantucket sells under several designer labels such as Evan Picone, Geoffrey Beene and Ralph Lauren as well as private labels to Zayre and K mart. "We can't compete with foreigners on price," says George Gold, chairman, "but in the hosiery business, style is crucial, and we can get product to stores before foreign manufacturers."

Another example: Lakeland, Fla.-based Sikes Corp., started in 1954. Sikes sells ceramic tiles—mostly knockoffs of European tile designs—under the name Florida Tile. Floor tiles are all made at Sikes' highly automated Shannon, Ga. plant; they aren't touched by human hands until a contractor opens the box to install them. Like Nantucket's Gold, Thomas Williams, Sikes' treasurer and controller, says his company "can't compete with foreign manufacturers on price alone, but we can on service, quality and customer relations."

Will all these companies make the Best 200 list next year? Of course not. But for every one that slows down (or, more happily, grows too large), another will take its place as new niches relentlessly appear and grow. And a good thing, too, if you believe, as did the Sage of Glasgow, that the division of labor "is generally carried furthest in those countries which enjoy the highest degree of industry and improvement. . . ." ■

The 200 Best Small Companies in America

—Rank— this year	last year	Company/business	Return —on equity— 5-year average	latest 12 months	5-year EPS growth rate	Latest 12-mo sales (mils)	profits (mils)	Debt/ equity	—Stock price— recent	12-mo change	Latest EPS	12-mo P/E	Price/ sales	Book value/ share
1	■	**Graphic Technology** bar-coded labels	274.7%	14.0%	29%	$19.8	$1.41	8%	11¾	12%	$0.74	15.9	1.13	$5.30
2	■	**Value Line** financial publishing	158.6	78.1	14	59.9	11.08	81	18¾	–9	1.12	16.7	3.11	1.43
3	■	**Educ Sys & Publications** printing	75.0	83.8	29	4.9	1.05	14	2⅛	–88	0.41	5.2	0.29	1.89
4	1	**Franklin Resources** fund management	63.9	114.4	111	119.9	25.60	2	38½	126	1.80	21.4	4.53	1.59
5	■	**Seaman Furniture** furniture stores	58.6	58.3	48	181.5	12.23	22	35	52	1.85	18.9	1.31	3.08
6	■	**Thor Industries** recreational vehicles	51.3	31.6	48	135.0	5.85	0	13	70	1.15	11.3	0.49	3.65
7	■	**King World Productions** distr & synd of TV progs	39.8	74.0	112	137.1	17.23	9	14⅛	109	0.57	25.2	3.22	0.76
8	■	**Chief Automotive Sys** auto frame repair equip	39.8	33.2	54	36.3	7.05	5	11¼	58	0.62	18.1	3.41	1.93
9	■	**Environmental Sys** pollution cntrl equip & svcs	39.3	25.7	37	66.6	7.54	50	16½	74	0.61	27.0	3.11	2.33
10	10	**Plenum Publishing** publishing	38.9	47.9	31	44.4	11.44	0	53½	21	4.96	10.8	2.77	10.39
11	4	**Alfin Fragrances** markets imported perfumes	38.2	36.1	93	34.8	6.14	13	23¼	119	0.85	27.4	4.46	2.55
12	■	**Dow B Hickam** drugs, health-care supplies	37.5	21.8	43	11.4	2.24	30	14¼	44	0.96	14.8	2.74	4.70
13	■	**Par Pharmaceutical** drugs	37.4	27.0	77	31.9	3.91	39	13¼	–20	0.59	22.5	2.97	2.02
14	■	**Pic'N'Save** closeout mrchds stores	36.7	37.1	25	291.4	41.64	1	19¼	22	1.07	18.0	2.61	2.84
15	■	**Arley Merchandise** home furnishings	35.9	30.7	49	84.3	3.90	61	9⅝	67	0.80	12.0	0.47	3.08
16	5	**Intertrans** freight forwarding	35.6	32.9	79	71.5	2.15	0	15¾	43	0.72	21.9	0.58	2.50
17	9	**American List** student mailing lists	35.5	31.7	22	4.6	1.41	0	11⅛	86	0.51	22.3	6.87	1.60
18	7	**Pioneer Group** fund management	35.1	32.5	24	45.6	9.30	0	25¼	16	1.52	16.6	3.41	4.66
19	■	**Ultimate** computer systems	35.1	29.5	60	150.3	14.20	40	16	41	1.65	9.7	1.04	4.92
20	■	**Sound Warehouse** record, tape & video strs	34.5	23.1	37	131.2	7.53	0	20⅜	26	1.36	15.0	0.83	6.08
21	■	**Russ Berrie & Co** gift items	34.5	27.9	47	217.1	27.20	3	29¾	65	1.85	16.1	2.03	6.57
22	■	**ClothesTime** women's apparel	34.5	49.0	92	135.9	11.06	1	13¾	22	0.77	17.9	1.40	1.63
23	16	**Mylan Laboratories** generic drugs	33.9	77.7	61	86.9	22.66	8	11⅜	15	0.62	18.3	4.76	0.80
24	19	**Neutrogena** cosmetics	33.2	40.7	28	88.8	7.55	0	36	66	0.79	45.6	3.69	2.04
25	8	**Dreyfus** fund management	33.2	28.4	22	196.4	68.05	0	24	12	1.72	14.0	5.36	5.46

■ Not on last year's list.

Sources: William O'Neil & Co.; Forbes.

The 200 Best Small Companies in America

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26	6	**Telerate** security price database	33.1%	25.2%	43%	$191.2	$36.06	0%	18	18%	$0.81	22.2	4.19	$3.22
27	11	**Rent-A-Center** rental of home furniture	31.6	35.1	34	138.5	9.93	70	20⅓	53	0.89	23.0	1.60	2.62
28	14	**Juno Lighting** lighting fixtures	31.1	33.2	40	41.6	7.32	27	27¼	42	1.59	17.1	2.99	4.83
29	■	**Oshkosh B'Gosh Cl A** children's apparel	30.9	35.5	41	177.3	16.87	18	51¼	65	2.32	22.1	2.11	6.52
30	■	**Duquesne Systems** computer software	30.0	41.2	59	19.9	4.16	0	27½	137	0.93	29.6	6.99	2.00
31	■	**JB Hunt Transport** trucking	30.0	26.8	63	167.7	20.62	28	25¼	124	0.88	28.7	3.54	3.27
32	23	**Deb Shops** apparel stores	29.9	36.9	38	159.7	10.96	7	24	38	1.44	16.8	1.14	3.93
33	13	**CPI** photo mtrls, photofinishing	29.9	25.7	30	221.7	15.75	1	31¼	62	2.00	15.6	1.16	7.45
34	20	**Arthur J Gallagher & Co** insurance brokerage	29.8	31.3	37	91.7	11.14	56	29¾	72	1.25	23.8	3.11	3.71
35	■	**Interphase** computer equipment	29.5	22.5	33	10.4	1.33	14	8¼	144	0.51	16.2	2.06	2.29
36	■	**Paychex** payroll accounting svcs	29.2	24.9	57	54.0	4.63	14	22½	105	0.54	41.7	3.55	2.18
37	■	**Electrospace Systems** electronics	28.7	25.4	31	158.9	13.10	14	17⅞	–18	0.96	18.6	1.50	3.85
38	2	**Quick & Reilly Group** securities brokerage	28.1	23.0	34	78.8	12.73	5	23¼	16	2.01	11.6	1.86	8.74
39	■	**Westwood One Mut Broad** broadcasting	27.9	18.0	73	47.7	6.08	0	27½	68	0.81	34.0	4.80	4.06
40	■	**MacNeal-Schwendler** computer software	27.5	29.2	22	24.0	5.80	0	21¾	21	0.96	22.3	5.43	3.27
41	■	**Zenith Labs** generic pharmaceuticals	27.4	44.7	50	83.1	15.91	5	9⅛	0	0.74	12.3	2.30	1.70
42	30	**Napco Security Systems** protective alarm equipment	26.9	38.2	42	23.6	2.93	51	8½	–13	0.67	12.7	1.56	1.76
43	42	**Dress Barn** apparel stores	26.8	54.7	68	135.8	9.16	0	21¼	130	0.83	25.6	1.73	1.52
44	■	**Fur Vault** retail fur stores	26.5	15.4	40	68.8	4.62	19	9⅞	32	0.40	24.7	1.68	2.56
45	18	**Cherokee Group** women's footwear & apprl	26.3	30.7	41	94.5	5.88	9	20¾	181	1.04	20.0	1.24	3.40
46	21	**Andover Controls** building automation sys	26.1	21.0	41	22.5	2.17	0	9½	58	0.60	15.8	1.51	2.89
47	■	**KMW Systems** electronics	25.9	18.8	41	14.3	1.10	53	8½	51	0.52	16.3	1.29	2.70
48	■	**Guilford Inds** specialty fabric	25.7	22.5	28	72.9	6.90	43	13½	–10	1.25	10.8	0.98	5.80
49	■	**System Integrators** elec photocomposition sys	25.5	23.2	62	63.4	8.65	0	9½	–5	0.77	12.3	1.78	3.14
50	■	**New England Business Svc** business forms	25.4	30.1	20	176.0	16.90	18	38½	47	1.98	19.4	1.87	6.58

■ Not on last year's list

Sources: William O'Neil & Co., Forbes.

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51	24	**Dreyer's Grand Ice Cream** ice cream	25.3%	23.8%	28%	$120.5	$8.56	26%	21	15%	$1.16	18.1	1.29	$4.87
52	25	**Comarco** defense engnrg, cmptr svcs	25.0	28.6	39	62.5	2.21	88	9½	–6	0.76	12.5	0.44	2.68
53	41	**American Integrity** insurance	24.9	27.2	78	55.4	10.15	0	14¾	–2	1.54	9.6	1.78	5.58
54	29	**E-Z-Em** disposable X-ray supplies	24.9	24.7	37	47.5	6.88	1	12¼	34	0.87	14.1	2.04	3.52
55	55	**SafeCard Services** credit card loss services	24.8	42.8	32	81.1	20.11	0	24⅞	105	0.91	27.3	6.68	2.16
56	37	**Auxton Computer Ent** computer services	24.7	29.1	39	29.6	2.55	1	11⅛	123	0.49	22.7	1.89	1.74
57	■	**Endevco** nat gas processing & trans	24.7	31.6	49	150.3	3.95	58	6¾	17	0.79	8.5	0.29	1.96
58	38	**ACCO World** computer supplies	24.5	25.4	16	221.7	21.70	52	25¼	22	1.53	16.5	1.57	6.19
59	28	**Nuclear Support Services** svcs to nuclear elec utils	24.3	27.8	23	29.8	2.16	0	18	106	0.99	18.2	1.30	3.63
60	101	**Versa Technologies** rubber products	23.0	33.1	20	40.3	4.01	38	15½	35	1.22	12.7	1.18	3.94
61	12	**CCX Networks** computer services	22.8	19.5	36	18.1	1.66	52	18¼	59	0.50	36.5	3.15	2.72
62	■	**John O Butler Co** dental products	22.6	23.6	26	37.2	4.62	59	17¼	55	0.95	18.2	2.23	4.08
63	■	**American Nucleonics** defense electronics	22.4	33.6	29	7.1	1.34	0	2⅞	130	0.18	16.0	3.11	0.52
64	57	**John H Harland** check printing	22.4	24.6	20	252.7	33.24	0	44¼	45	1.93	22.9	3.01	7.86
65	50	**Knoll International** office furniture	22.4	19.8	12	223.4	11.68	77	10⅛	–33	1.15	8.8	0.48	5.51
66	■	**LESCO** lawn care products	22.1	20.3	38	58.7	2.61	73	11	60	0.66	16.7	0.77	3.14
67	72	**Eaton Vance** fund managment	22.0	27.7	40	22.1	5.84	30	18½	19	1.49	12.4	3.19	5.53
68	■	**Entertainment Publications** discount coupon books	22.0	22.2	56	42.6	4.24	1	13¾	–2	1.00	13.8	1.54	4.00
69	35	**Robert C Brown & Co** financial services	21.9	19.6	30	18.4	2.66	0	8¾	–13	0.98	8.9	1.30	4.96
70	■	**QMS** computer equipment	21.7	16.8	40	63.5	6.53	5	11⅛	19	0.70	15.9	1.65	4.14
71	85	**Microsemi** semiconductors	21.6	29.5	62	37.6	5.10	37	6⅞	20	0.62	11.1	1.70	1.85
72	■	**Interface Flooring Sys** carpet tile	21.5	21.0	15	133.1	9.17	34	13½	0	1.42	9.5	0.64	6.95
73	■	**Beaman** prefabricated buildings	21.4	27.2	37	60.1	1.75	37	6	–23	0.76	7.9	0.23	2.85
74	43	**General Physics** training services for utils	21.3	22.7	13	78.6	4.64	0	20	54	1.26	15.9	0.94	5.57
75	90	**Lee Enterprises** newspapers, broadcasting	21.3	26.6	15	218.9	33.41	13	22⅜	15	1.27	17.8	2.59	5.01

■ Not on last year's list

Sources: William O'Neil & Co., Forbes

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76	49	**JP Industries** auto parts	21.0%	23.4%	47%	$213.4	$9.71	53%	15	54%	$1.04	14.8	0.78	$3.84
77	■	**Healthcare Svcs Group** nursing home maint svcs	20.9	12.6	62	25.5	1.75	0	12½	14	0.46	27.2	1.85	3.70
78	64	**Postal Instant Press** printing	20.9	24.0	13	21.7	4.86	2	13¼	–5	1.18	11.2	2.53	4.89
79	62	**FlightSafety Intl** air and marine training	20.5	19.1	12	110.4	31.20	17	21⅜	–2	1.40	15.3	4.33	7.32
80	84	**BDM International Cl A** defense-related consulting	20.4	24.9	27	288.0	12.27	0	25⅝	23	1.17	21.9	1.01	4.35
81	3	**BGS Systems** software and computer svcs	20.4	10.9	34	14.8	1.99	0	8	–3	0.62	12.9	1.72	5.73
82	54	**Diagnostic Products** medical test kits	20.3	23.8	23	25.7	4.96	0	22½	80	0.90	25.0	5.16	3.54
83	89	**Arnold Industries** trucking	20.3	24.4	23	89.2	9.08	10	36	93	2.71	13.3	1.35	11.09
84	70	**Luby's Cafeterias** restaurants	20.2	22.4	16	214.0	21.41	5	27	17	1.17	23.1	2.30	5.24
85	■	**General Ceramics** ceramics for electronics	20.2	31.1	36	25.9	3.29	1	17¾	25	1.13	15.7	1.85	3.93
86	119	**STV Engineers** engineering services	20.2	33.5	31	67.9	2.30	32	13¾	20	1.52	9.0	0.32	4.41
87	■	**Parlex** electronics	20.0	17.4	13	29.3	2.24	32	18	57	0.91	19.8	1.52	5.20
88	■	**P Leiner Nutritional Prods** vitamins	20.0	15.7	15	65.2	3.11	0	17	89	0.90	18.9	0.90	5.71
89	92	**National Education** vocational training schools	20.0	20.9	16	196.6	13.37	9	17	32	0.91	18.7	1.24	4.46
90	■	**Columbus Mills** carpeting	20.0	20.8	35	152.6	10.41	18	36½	115	3.29	11.1	0.76	15.75
91	100	**Sigma-Aldrich** specialty chemicals	19.9	24.9	17	233.3	31.50	11	32	46	1.27	25.2	3.37	5.14
92	■	**Hooper Holmes** health-care & info svcs	19.9	19.1	11	59.6	1.39	24	10⅛	14	0.77	13.1	0.31	3.97
93	■	**DEP** cosmetics	19.8	19.1	16	39.0	2.38	24	12	68	0.62	19.4	1.16	3.30
94	78	**Community Psych Centers** psych hosp, dialysis ctrs	19.4	22.2	29	238.3	50.63	5	31⅛	6	1.69	18.4	3.96	7.53
95	■	**Triangle Microwave** microwave components	19.4	21.3	17	13.2	1.76	23	4⅛	–20	0.37	12.5	1.83	1.58
96	■	**Distributed Logic** computer equipment	19.3	13.9	10	14.3	1.14	0	4⅞	39	0.45	10.8	0.85	3.29
97	108	**Atlantic Research** rocket motors, comm equip	19.2	20.8	32	249.4	15.37	63	23¼	–14	2.05	11.3	0.70	9.79
98	61	**Bolar Pharmaceutical** generic drugs	19.1	18.8	22	42.9	7.99	0	22½	68	0.83	27.1	5.07	4.40
99	106	**Earl Scheib** auto paint shops	19.1	20.2	25	65.1	5.20	3	14½	12	1.12	12.9	1.02	5.64
100	45	**Medex** life-support products	18.9	14.7	11	19.7	1.80	13	8	–9	0.48	16.7	1.52	3.29

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Sources: William O'Neil & Co., Forbes.

—Rank— this year	last year	Company/business	Return —on equity— 5-year average	latest 12 months	5-year EPS growth rate	Latest sales (mils)	12-mo profits (mils)	Debt/ equity	—Stock price— recent	12-mo change	Latest EPS	12-mo P/E	Price/ sales	Book value/ share
101	■	**Cybertek Computer Prods** software	18.7%	21.3%	43%	$26.0	$2.09	11%	7⅞	91%	$0.58	13.6	1.07	$2.78
102	109	**Payco American** collection agency	18.6	22.3	18	67.4	2.78	0	17	21	0.56	30.4	1.27	2.47
103	117	**Logicon** defense consulting	18.4	18.9	35	205.0	9.93	0	25	–25	2.08	12.0	0.57	11.17
104	83	**Cintas** uniform mfg, rental, sale	18.3	17.4	20	123.7	11.25	64	44	18	1.73	25.4	2.32	9.94
105	■	**Stocker & Yale** precision instruments	18.3	19.4	13	15.2	2.34	14	11¼	45	0.86	13.7	2.11	4.42
106	173	**Dresher** brass beds and accessories	18.2	29.4	61	39.9	2.43	14	11⅜	146	0.55	20.7	1.15	2.05
107	■	**Canandaigua Wine Cl B** wine	18.2	22.0	39	163.7	10.54	14	29½	115	2.20	13.4	0.86	10.00
108	■	**Clayton Homes** manufactured homes	18.1	20.6	36	161.4	8.38	12	11¼	25	0.81	13.9	0.71	3.97
109	■	**Advanced Systems** educational training mtrls	17.9	18.3	13	58.9	6.39	4	13⅛	–1	1.13	11.6	1.16	6.68
110	79	**Federated Guaranty** insurance	17.9	17.0	9	48.7	10.73	0	16	45	1.28	12.5	2.77	7.49
111	■	**Fries Entertainment** motion pictures	17.8	14.4	9	28.1	2.99	35	6⅜	21	0.57	11.2	1.18	3.98
112	107	**Stryker** surgical and medical prods	17.7	19.1	20	112.5	9.29	9	34	70	1.23	27.6	2.26	6.48
113	■	**AGS Computers** computer software and svcs	17.6	15.4	28	315.0	7.54	31	18⅜	20	1.43	13.0	0.30	9.67
114	103	**Stanford Telecomm** telecommunications equip	17.5	15.4	34	48.1	2.58	2	11½	1	0.57	20.2	1.02	3.92
115	■	**Shoe City** shoe stores	17.4	20.0	31	35.3	1.24	7	8¼	–31	0.50	16.5	0.80	1.82
116	■	**Dunkin' Donuts** donut shops	17.3	19.1	15	104.9	11.87	43	27	20	1.59	17.0	1.86	8.60
117	192	**Pasquale Food Cl B** food processing	17.3	30.6	96	74.1	3.84	10	15	94	0.50	30.0	1.78	1.42
118	63	**American Software Cl A** software	17.1	15.2	55	39.4	6.33	0	12½	22	0.94	13.3	2.18	6.06
119	76	**Pansophic Systems** software	17.0	16.3	27	85.2	14.66	1	28	42	1.73	16.2	2.80	10.53
120	148	**Watkins-Johnson** electronics	16.9	19.2	28	245.6	20.31	25	34	53	2.23	15.2	1.22	12.05
121	■	**Biomet** health-care equip	16.9	21.0	78	47.0	5.70	1	15	79	0.55	27.3	3.77	2.30
122	77	**Ryan's Family Steak Houses** restaurants	16.9	21.0	49	78.1	8.05	2	21¼	198	0.50	42.5	4.68	2.23
123	■	**KDI** mfg & electronics	16.7	17.0	15	272.1	9.54	75	15⅜	89	1.02	15.3	0.52	6.19
124	■	**Wherehouse Entertainment** record, tape & video strs	16.7	15.0	36	169.6	7.32	16	17¾	73	0.82	21.6	0.93	5.48
125	112	**Teleflex** mechanical remote controls	16.6	17.8	14	191.0	15.02	28	20⅛	19	1.40	14.4	1.11	7.98

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Sources: William O'Neil & Co., Forbes

The 200 Best Small Companies in America

Rank this year	Rank last year	Company/business	Return on equity 5-year average	Return on equity latest 12 months	5-year EPS growth rate	Latest sales (mils)	12-mo profits (mils)	Debt/ equity	Stock price recent	Stock price 12-mo change	Latest EPS	12-mo P/E	Price/ sales	Book value/ share
126	146	**Shelby Williams Inds** rest & hotel furniture	16.6%	19.5%	24%	$124.5	$9.02	3%	15	17%	$0.88	17.0	1.25	$4.45
127	■	**Cadmus Communications** printing	16.5	23.1	13	92.7	4.48	56	29¼	100	1.60	18.3	0.87	7.04
128	145	**Security Amer Fincl Ent** insurance	16.5	29.8	32	39.9	3.61	0	11⅛	64	1.16	9.7	0.84	4.04
129	127	**Wallace Computer Svcs** business forms	16.4	17.9	12	305.0	24.35	11	40⅛	23	2.40	16.7	1.34	13.38
130	120	**Dionex** precision instruments	16.4	19.8	30	44.9	7.44	1	47	54	1.60	29.4	4.78	8.22
131	138	**Systematics** bank computer services	16.4	17.3	31	125.6	10.61	7	14¼	–38	0.96	14.8	1.23	5.66
132	126	**Bob Evans Farms** sausages, restaurants	16.3	16.0	10	273.8	20.50	0	19½	27	0.92	21.2	1.60	5.71
133	■	**Seven Oaks Intl** coupon processing	16.3	15.3	31	30.1	6.58	0	16⅛	32	0.96	16.8	3.62	6.37
134	155	**Electromagnetic Sciences** microwave components	16.3	19.7	39	38.9	4.82	10	13½	29	0.67	20.1	2.45	3.46
135	73	**First Financial Management** bank computer services	16.2	13.1	36	59.8	4.36	21	20¼	14	0.88	23.6	1.78	6.49
136	■	**Liqui-Box** packaging	16.1	32.0	30	67.6	5.25	9	51	85	2.26	22.6	1.66	7.43
137	■	**Tootsie Roll Industries** candy	16.0	26.0	35	109.2	11.61	0	41¾	40	2.69	15.5	1.64	10.41
138	■	**Parisian** apparel stores	16.0	17.0	22	204.7	8.86	84	23½	77	1.31	17.9	0.92	6.52
139	102	**Legg Mason** securities brokerage	16.0	16.9	14	121.4	9.34	4	17⅞	40	1.42	12.6	0.97	8.41
140	■	**Digital Comm Assoc** telecomm equipment	16.0	17.3	113	137.9	20.60	0	20	–1	1.80	11.1	1.71	10.06
141	■	**Telxon** computer equipment	16.0	16.9	30	87.0	9.24	1	24½	136	0.70	35.0	3.57	4.31
142	129	**New York Marine & Genl Ins** insurance	15.7	18.7	29	57.9	8.98	0	43	48	3.18	13.5	2.13	16.75
143	■	**S&K Famous Brands** men's apparel stores	15.7	14.3	37	39.8	1.33	79	7¼	29	0.64	12.1	0.40	4.51
144	■	**Orbit Instrument** electronics	15.7	21.8	17	31.1	6.63	4	10¾	79	0.75	14.3	3.05	3.44
145	161	**Sizzler Restaurants Intl** restaurants	15.6	17.2	32	194.3	12.50	56	14⅛	43	0.79	17.9	1.24	4.25
146	60	**Altos Computer Systems** mini and micro computers	15.5	20.2	27	134.2	20.28	1	10⅞	9	1.41	7.7	1.08	7.52
147	166	**Sanmark-Stardust** apparel	15.4	16.1	36	59.4	2.77	35	6	70	0.40	15.9	0.56	3.29
148	■	**Liebert** elec power conditioning sys	15.4	17.6	23	287.2	19.38	14	24½	23	1.30	18.8	1.26	7.47
149	160	**Olsten** temporary office personnel	15.3	19.0	25	283.2	8.05	0	22¾	48	1.00	22.8	0.65	5.21
150	156	**Atlantic American** insurance	15.2	23.6	24	143.7	13.06	57	11¼	27	1.37	8.2	0.75	5.78

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151	143	**UTL** electronics	15.2%	15.0%	33%	$31.5	$5.12	2%	17¾	20%	$1.06	16.7	2.71	$7.13
152	150	**Block Drug Cl A** dental products	15.2	14.7	9	295.1	29.44	16	25	32	1.90	13.2	1.32	12.80
153	118	**Mentor** surgical implant devices	15.1	12.7	59	29.9	3.56	2	14¼	2	0.62	23.0	2.71	4.94
154	116	**DBA Systems** computer imaging tech	15.0	15.9	23	74.4	4.16	32	14¾	–5	1.11	13.3	0.75	6.90
155	■	**UniFirst** uniform mfg, rental, sale	14.9	16.8	12	111.3	7.76	15	22¾	56	1.54	14.8	1.03	9.19
156	■	**Vishay Intertechnology** precision instruments	14.8	19.0	33	58.9	9.34	10	17⅞	–2	1.44	12.4	1.97	7.59
157	■	**Rhodes** home furnishing stores	14.7	18.1	73	214.5	12.85	69	19⅜	44	1.61	12.2	0.82	7.96
158	152	**Spectrum Control** electronic pollution cntrls	14.7	17.7	15	24.8	3.18	30	11⅛	85	0.60	18.5	2.40	3.36
159	157	**Avemco** insurance	14.6	16.9	14	71.7	8.74	21	25¼	28	1.89	13.6	1.63	11.41
160	■	**AMREP** land devel, magazine dist	14.5	17.6	71	100.8	9.57	79	19⅜	10	2.18	9.0	0.86	12.35
161	■	**Pancho's Mexican Buffet** restaurants	14.3	14.3	25	41.0	2.40	2	10	45	0.58	17.2	1.00	4.11
162	■	**Key Co Cl B** home building	14.3	14.8	25	42.0	1.51	0	3⅞	11	0.66	5.9	0.21	4.51
163	139	**Scan-Tron** optical reading equip	14.2	17.8	24	25.7	2.83	8	16¼	37	0.82	20.4	2.19	4.74
164	■	**Nantucket Industries** apparel	14.0	14.6	29	53.1	2.00	95	8¼	10	0.73	11.3	0.42	5.06
165	■	**Krug International** aerospace	13.9	24.1	40	120.5	2.82	74	9⅛	20	0.70	13.0	0.30	2.92
166	■	**Banker's Note** women's apparel	13.9	25.7	27	29.7	1.71	6	11¼	213	0.52	22.6	1.26	2.09
167	■	**Crump Companies** insurance brokerage	13.8	20.3	33	111.4	9.26	22	32½	130	1.04	31.3	2.66	5.01
168	■	**Sealed Air** packaging	13.8	16.0	18	196.3	14.89	16	37¾	22	2.07	18.2	1.39	12.88
169	■	**Radiation Systems** communications equip	13.8	13.8	14	47.5	4.20	11	8⅞	–19	0.87	10.2	1.03	5.54
170	■	**Precision Castparts** aerospace castings	13.8	16.9	14	202.9	10.83	56	23¾	6	1.45	16.4	0.88	8.55
171	■	**ISC Systems** computer equipment	13.7	20.5	16	166.1	13.85	31	11	–8	0.90	12.2	1.06	4.24
172	■	**Mosinee Paper** paper products	13.7	14.0	15	191.2	9.12	15	12⅛	26	1.17	10.4	0.49	8.42
173	■	**Syscon** computer sys and svcs	13.7	13.6	10	125.8	4.76	5	13¾	18	1.02	13.5	0.51	7.48
174	■	**Recoton** access for: TV, video, stereo	13.6	15.2	43	28.6	1.68	14	9	6	0.62	14.5	0.82	4.26
175	■	**Paco Pharmaceutical Svcs** pkgng of pharmaceut prods	13.6	13.6	11	44.8	4.17	0	15⅜	19	1.03	14.9	1.35	7.77

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176	■	**SJW** water utility	13.5%	14.3%	11%	$62.8	$8.99	61%	35⅝	0%	$3.13	11.4	1.59	$22.53
177	■	**Thomas Industries** building materials	13.3	15.1	13	310.3	16.60	20	18½	12	1.85	10.0	0.54	12.20
178	168	**International Technology** pollution cntrl equip & svcs	13.2	28.7	28	213.2	17.40	64	17	48	0.64	26.6	2.11	2.29
179	■	**Calif Water Service** water utility	13.1	14.3	9	107.1	12.73	95	56	20	4.48	12.5	1.44	32.25
180	■	**Pulaski Furniture** furniture	13.1	14.4	34	92.5	4.04	73	16¼	53	1.40	11.6	0.51	9.70
181	188	**Houghton Mifflin** publishing	13.0	13.8	13	291.9	19.18	4	26¼	49	1.39	18.9	1.27	9.86
182	■	**Oil Dri Corp America** specialty chemicals	13.0	19.8	44	52.8	4.60	32	23½	34	1.11	21.2	1.78	5.82
183	■	**Herley Microwave Sys** microwave components	12.9	27.8	68	16.2	2.12	22	11¼	62	0.72	16.3	2.09	2.64
184	194	**VeloBind** bookbinding equip	12.9	15.8	13	33.4	3.35	5	11	22	0.64	17.2	1.69	4.14
185	172	**Matrix** health-care equip	12.8	16.1	34	104.9	13.30	42	16⅜	2	1.02	16.1	2.05	6.31
186	136	**Computer Assoc Intl** software	12.8	11.1	45	209.8	19.49	3	21½	85	0.87	24.7	2.54	7.10
187	175	**Spectradyne** pay-per-view TV in hotels	12.8	15.2	17	68.0	7.39	13	16	45	0.78	20.5	2.22	5.15
188	186	**Service Corporation Intl** funeral parlors	12.8	16.8	19	271.6	42.83	23	31⅞	33	1.69	18.9	3.01	9.95
189	195	**KLA Instruments** equip for semiconductor ind	12.8	13.0	62	82.5	9.86	0	13¾	–21	0.56	24.6	2.84	4.43
190	■	**ERC International** technical engineering	12.6	15.8	17	84.9	2.64	3	10⅞	71	0.65	16.7	0.53	4.04
191	171	**Forest Laboratories** controlled-release drugs	12.5	10.6	20	46.4	7.98	1	17⅝	45	0.55	32.0	5.43	5.28
192	■	**Tech-Sym** multicompany	12.4	12.1	43	101.6	7.52	18	13¾	–11	1.13	12.2	0.90	9.38
193	■	**Jones Intercable Cl A** cable TV	12.3	24.0	19	19.3	4.74	54	11⅛	107	0.48	23.2	5.42	2.10
194	■	**Sikes Cl A** ceramic tiles	12.3	16.2	22	90.4	5.09	51	15½	70	1.15	13.5	1.77	7.04
195	■	**Virco Manufacturing** furniture	12.2	12.1	16	167.3	3.71	78	17¾	35	1.63	10.9	0.24	13.40
196	■	**Crest-Foam** polyurethane foam	12.0	13.5	29	46.7	1.59	9	12⅛	24	1.23	9.9	0.34	9.10
197	■	**Bolt Beranek & Newman** consulting & research svcs	11.8	18.1	60	178.0	11.33	7	40¾	41	1.30	31.3	1.88	7.59
198	■	**Products Research & Chem** paints and coatings	11.7	15.6	16	90.9	7.11	5	16⅝	29	0.76	21.9	1.73	4.80
199	■	**Morgan Keegan** securities brokerage	11.4	19.0	9	69.8	5.47	0	11⅛	46	1.17	9.5	0.75	6.13
200	■	**Anaren Microwave** electronics	10.9	14.8	30	32.7	3.23	26	8¼	–34	0.77	10.7	1.06	5.20

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Sources: William O'Neil & Co.; Forbes

Company Directory

This alphabetical directory of the 200 Best Small Companies shows how to reach them, where to trade them and how they rank by sales, profits, market value and five-year return on equity.

Where they rank: sales	profits	market value	5-year average ROE	Exch	Ticker	Company	City, state	Telephone	Market value (mil)
19	15	26	58	n	ACCO	**ACCO World**	Northbrook, IL	(312) 480-9700	$348.7
123	110	135	109	n	ASY	**Advanced Systems**	Arlington Hts, IL	(312) 981-1500	68.6
1	95	119	113	n	AGS	**AGS Computers**	Mountainside, NJ	(201) 654-4321	94.4
159	112	76	11	a	AFN	**Alfin Fragrances**	New York, NY	(212) 333-7700	155.2
60	21	82	146	o	ALTO	**Altos Computer Systems**	San Jose, CA	(408) 946-6700	145.0
127	64	114	53	o	AIIC	**American Integrity**	Philadelphia, PA	(215) 561-1400	98.5
200	191	178	17	o	ALST	**American List**	Great Neck, NY	(516) 466-0602	31.6
198	194	190	63	o	AMNU	**American Nucleonics**	Westlake Village, CA	(805) 496-2405	22.1
152	111	124	118	o	AMSWA	**American Software Cl A**	Atlanta, GA	(404) 261-4381	85.9
80	69	123	160	n	AXR	**AMREP**	New York, NY	(212) 541-7300	86.2
161	153	171	199	o	ANEN	**Anaren Microwave**	East Syracuse, NY	(315) 432-8909	34.7
181	175	172	46	o	ANDO	**Andover Controls**	Andover, MA	(617) 470-0555	33.9
93	146	166	15	a	ARY	**Arley Merchandise**	Taunton, MA	(617) 823-1400	39.7
87	80	94	83	o	AIND	**Arnold Industries**	Lebanon, PA	(717) 274-2521	120.7
53	42	109	150	o	AAME	**Atlantic American**	Atlanta, GA	(404) 266-5500	107.2
14	33	66	97	o	ATRC	**Atlantic Research**	Alexandria, VA	(703) 642-4000	175.7
169	166	148	56	o	AUXT	**Auxton Computer Enterprises**	Maitland, FL	(305) 660-8400	56.0
103	85	98	159	n	AVE	**Avemco**	Frederick, MD	(301) 694-5700	116.7
168	186	168	166	o	BKNT	**Banker's Note**	Marietta, GA	(404) 432-0636	37.4
7	47	33	80	a	BDM	**BDM International Cl A**	McLean, VA	(703) 821-5000	290.1
118	184	197	73	o	BECO	**Beaman**	Greensboro, NC	(919) 271-4400	13.6
192	181	184	81	o	BGSS	**BGS Systems**	Waltham, MA	(617) 891-0000	25.4
136	118	65	121	o	BMET	**Biomet**	Warsaw, IN	(219) 267-6639	177.3
4	10	21	152	o	BLOCA	**Block Drug Cl A**	Jersey City, NJ	(201) 434-3000	390.5
10	19	18	132	o	BOBE	**Bob Evans Farms**	Columbus, OH	(614) 491-2225	436.9
143	91	50	98	a	BLR	**Bolar Pharmaceutical**	Copiague, NY	(516) 842-8383	217.4
39	53	27	196	n	BBN	**Bolt Beranek & Newman**	Cambridge, MA	(617) 491-1850	335.4
188	162	186	69	o	RCBI	**Robert C Brown & Co**	San Francisco, CA	(415) 981-4050	24.0

a: American Stock Exchange n: New York Stock Exchange o: over-the-counter

Sources: William O'Neil & Co.; Forbes.

Where they rank									
sales	profits	market value	5-year average ROE	Exch	Ticker	Company	City, state	Telephone	Market value (mil)
156	132	128	62	o	BUTC	**John O Butler Co**	Chicago, IL	(312) 777-4000	$83.0
82	135	130	127	o	CDMS	**Cadmus Communications**	Richmond, VA	(804) 264-2885	80.5
76	44	78	178	o	CWTR	**Calif Water Service**	San Jose, CA	(408) 298-1414	154.2
46	62	84	107	a	CDGB	**Canandaigua Wine Cl B**	Canandaigua, NY	(716) 394-3630	141.4
189	188	144	61	o	CCXN	**CCX Networks**	Conway, AR	(501) 329-6836	57.0
81	114	97	45	o	CHKE	**Cherokee Group**	N Hollywood, CA	(213) 875-1002	116.9
157	104	91	8	o	CHFS	**Chief Automotive Sys**	Grand Island, NE	(308) 384-9747	123.7
66	54	34	104	o	CTAS	**Cintas**	Cincinnati, OH	(513) 489-4000	286.9
47	88	102	108	n	CMH	**Clayton Homes**	Knoxville, TN	(615) 970-7200	115.3
57	57	58	22	o	CTME	**ClothesTime**	Anaheim, CA	(714) 779-5881	190.8
50	63	100	90	o	COLM	**Columbus Mills**	Columbus, GA	(404) 324-0111	115.9
117	174	183	52	o	CMRO	**Comarco**	Anaheim, CA	(714) 921-0672	27.4
16	2	2	94	n	CMY	**Community Psychiatric Ctrs**	Santa Ana, CA	(415) 397-6151	942.7
27	23	12	185	n	CA	**Computer Assoc Intl**	Garden City, NY	(516) 227-3300	532.8
20	32	37	33	o	CPIC	**CPI**	St Louis, MO	(314) 231-1575	256.5
137	189	196	195	a	CFO	**Crest-Foam**	Moonachie, NJ	(201) 641-9030	15.7
72	75	32	167	o	CRMP	**Crump Companies**	Memphis, TN	(901) 761-1550	296.8
173	179	182	101	o	CKCP	**Cybertek Computer Prods**	Culver City, CA	(213) 649-2450	27.8
100	140	147	154	o	DBAS	**DBA Systems**	Melbourne, FL	(305) 725-3711	56.1
48	58	62	32	o	DEBS	**Deb Shops**	Philadelphia, PA	(215) 676-6000	182.4
153	169	158	93	o	DEPC	**DEP**	RanchoDominguez, CA	(213) 604-0777	45.4
175	125	87	82	o	DPCZ	**Diagnostic Products**	Los Angeles, CA	(213) 776-0180	132.5
55	18	45	140	o	DCAI	**Digital Commun Assoc**	Alpharetta, GA	(404) 442-4000	236.0
140	99	52	130	o	DNEX	**Dionex**	Sunnyvale, CA	(408) 737-0700	214.4
193	198	198	96	o	DLOG	**Distributed Logic**	Anaheim, CA	(714) 937-5700	12.1
149	167	157	106	o	DRES	**Dresher**	Bedford Park, IL	(312) 594-8900	45.8
58	78	47	43	o	DBRN	**Dress Barn**	Stamford, CT	(203) 327-4242	234.3
68	87	77	51	o	DRYR	**Dreyer's Grand Ice Cream**	Oakland, CA	(415) 652-8187	155.0
32	1	1	25	n	DRY	**Dreyfus**	New York, NY	(212) 715-6000	1,052.6
77	49	55	116	o	DUNK	**Dunkin' Donuts**	Randolph, MA	(617) 961-4000	195.0
184	141	85	30	o	DUQN	**Duquesne Systems**	Pittsburgh, PA	(412) 323-2600	139.2
182	116	133	67	o	EAVN	**Eaton Vance**	Boston, MA	(617) 482-8260	70.4
199	200	200	3	o	ESPC	**Education Sys & Publications**	Belleville, NJ	(201) 759-1520	1.4
154	127	116	134	o	ELMG	**Electromagnetic Sciences**	Norcross, GA	(404) 448-5770	95.4
49	41	42	37	n	ELE	**Electrospace Systems**	Richardson, TX	(214) 470-2000	239.0
51	144	162	57	a	EI	**Endevco**	Dallas, TX	(214) 691-5536	43.0
144	137	138	68	o	EPUB	**Entertainment Publications**	Birmingham, MI	(313) 642-8300	65.6
111	96	54	9	n	ESC	**Environmental Sys**	Little Rock, AR	(501) 376-8142	207.4
92	163	160	189	n	ERC	**ERC International**	Vienna, VA	(703) 827-0720	44.9
134	106	115	54	o	EZEM	**E-Z-Em**	Westbury, NY	(516) 333-8231	97.0
131	60	86	110	o	FDGC	**Federated Guaranty**	Montgomery, AL	(205) 288-3900	134.8
120	136	110	135	o	FFMC	**First Financial Management**	Atlanta, GA	(404) 321-0120	106.5
74	9	14	79	n	FSI	**FlightSafety Intl**	Flushing, NY	(718) 565-4100	477.7

a: American Stock Exchange. n: New York Stock Exchange. o: over-the-counter. *Sources: William O'Neil & Co., Forbes.*

Company Directory

Where they rank									
sales	profits	market value	5-year average ROE	Exch	Ticker	Company	City, state	Telephone	Market value (mil)
138	92	39	190	a	FRX	**Forest Laboratories**	New York, NY	(212) 421-7850	$251.8
70	12	10	4	o	FRRI	**Franklin Resources**	San Mateo, CA	(415) 570-3000	543.6
172	156	176	111	a	FE	**Fries Entertainment**	Los Angeles, CA	(213) 466-2266	33.2
106	133	101	44	a	FRV	**Fur Vault**	New York, NY	(212) 563-7070	115.4
84	55	35	34	o	AJGC	**Arthur J Gallagher & Co**	Rolling Meadows, IL	(312) 640-8500	285.0
174	152	153	85	o	GCER	**General Ceramics**	Haskell, NJ	(201) 839-1600	47.8
98	130	131	74	o	GPHY	**General Physics**	Columbia, MD	(301) 964-6000	73.6
185	192	189	1	a	GRT	**Graphic Technology**	Olathe, KS	(913) 829-8000	22.3
102	105	132	48	o	GILD	**Guilford Inds**	Guilford, ME	(207) 876-3331	71.3
13	7	7	64	n	JH	**John H Harland**	Decatur, GA	(404) 981-9460	760.5
177	185	155	77	o	HCSG	**Healthcare Svcs Group**	Huntington Valley, PA	(215) 657-7020	47.1
190	178	173	182	o	HRLY	**Herley Microwave Sys**	Lancaster, PA	(717) 397-2777	33.9
196	172	179	12	o	DBHI	**Dow B Hickam**	Sugar Land, TX	(713) 240-1000	31.2
121	193	193	92	o	HOOP	**Hooper Holmes**	Basking Ridge, NJ	(201) 766-5000	18.6
5	25	23	180	n	HTN	**Houghton Mifflin**	Boston, MA	(617) 725-5000	369.3
43	17	8	31	o	JBHT	**JB Hunt Transport**	Lowell, AR	(501) 659-8800	593.6
61	77	127	72	o	IFSIA	**Interface Flooring Sys**	La Grange, GA	(404) 882-1891	85.1
26	26	15	177	n	ITX	**International Technology**	Torrance, CA	(213) 378-9933	449.1
197	195	191	35	o	INPH	**Interphase**	Dallas, TX	(214) 350-9000	21.4
104	177	163	16	o	ITRN	**Intertrans**	Irving, TX	(214) 574-6750	41.3
45	38	67	171	o	ISCS	**ISC Systems**	Spokane, WA	(509) 536-5050	175.5
75	68	70	76	n	JPI	**JP Industries**	Ann Arbor, MI	(313) 663-6749	166.1
187	129	111	192	o	JOINA	**Jones Intercable Cl A**	Englewood, CO	(303) 792-3111	104.7
146	101	90	28	o	JUNO	**Juno Lighting**	Des Plaines, IL	(312) 827-9880	124.5
11	70	83	123	n	KDI	**KDI**	Cincinnati, OH	(513) 272-1421	141.6
145	190	199	162	a	KCB	**Key Co Cl B**	Greensboro, NC	(919) 273-2521	8.7
56	27	16	7	n	KWP	**King World Productions**	Summit, NJ	(201) 522-0100	442.0
95	67	46	188	o	KLAC	**KLA Instruments**	Santa Clara, CA	(408) 988-6100	234.7
194	199	194	47	o	KMWS	**KMW Systems**	Austin, TX	(512) 288-1453	18.4
18	50	108	65	a	KNL	**Knoll International**	New York, NY	(212) 826-2400	108.2
69	159	170	165	o	KRUG	**Krug International**	Dayton, OH	(513) 224-9066	36.6
21	6	9	75	n	LEE	**Lee Enterprises**	Davenport, IA	(319) 383-2202	566.8
67	71	95	139	n	LM	**Legg Mason**	Baltimore, MD	(301) 539-3400	117.6
112	155	143	88	o	PLIN	**P Leiner Nutritional Prods**	Torrance, CA	(213) 328-9610	59.0
125	164	159	66	o	LSCO	**LESCO**	Rocky River, OH	(216) 333-9250	45.1
8	24	25	148	o	LIEB	**Liebert**	Columbus, OH	(614) 888-0246	361.5
109	120	105	136	o	LIQB	**Liqui-Box**	Worthington, OH	(614) 888-9280	112.5
28	65	96	103	n	LGN	**Logicon**	Torrance, CA	(213) 373-0220	117.5
24	16	13	84	n	LUB	**Luby's Cafeterias**	San Antonio, TX	(512) 654-9000	492.0
179	117	89	40	a	MNS	**MacNeal-Schwendler**	Los Angeles, CA	(213) 258-9111	130.2
78	40	51	184	a	MAX	**Matrix Corp**	Orangeburg, NY	(914) 365-0190	214.7
186	182	180	100	o	MDEX	**Medex**	Hilliard, OH	(614) 876-2413	29.9
166	150	129	153	o	MNTR	**Mentor**	Goleta, CA	(805) 967-3451	80.9

a: American Stock Exchange n: New York Stock Exchange o: over-the-counter

Sources: William O'Neil & Co.; Forbes

Where they rank									
sales	profits	market value	5-year average ROE	Exch	Ticker	Company	City, state	Telephone	Market value ($mil)
155	123	139	71	o	MSCC	**Microsemi**	Santa Ana, CA	(714) 979-8220	$64.1
105	119	150	198	n	MOR	**Morgan Keegan**	Memphis, TN	(901) 524-4100	92.2
35	79	121	172	o	MOSI	**Mosinee Paper**	Mosinee, WI	(715) 693-4470	93.6
90	14	19	23	n	MYL	**Mylan Laboratories**	Pittsburgh, PA	(412) 232-0100	413.5
129	180	188	164	a	NAN	**Nantucket Industries**	New York, NY	(212) 869-5656	22.4
180	157	169	42	o	NSSC	**Napco Security Systems**	Copiague, NY	(516) 842-9400	36.9
31	39	40	89	n	NEC	**National Education**	Irvine, CA	(714) 474-9400	244.1
88	94	29	24	o	NGNA	**Neutrogena**	Los Angeles, CA	(213) 642-1150	327.8
41	28	28	50	o	NEBS	**New England Business Service**	Groton, MA	(617) 448-6111	328.0
126	83	92	142	o	NYMG	**New York Marine & Genl Ins**	New York, NY	(212) 953-0580	133.5
167	176	167	59	o	NSSI	**Nuclear Support Services**	Carnegie, PA	(717) 638-8125	38.6
130	134	120	181	o	OILC	**Oil Dri Corp America**	Chicago, IL	(312) 321-1515	93.9
9	89	61	149	a	OLS	**Olsten**	Westbury, NY	(516) 832-8200	1491.0
164	107	117	144	o	ORBT	**Orbit Instrument**	Hauppauge, NY	(516) 435-8300	98.9
40	29	22	29	o	GOSHA	**Oshkosh B'Gosh Cl A**	Oshkosh, WI	(414) 231-8800	373.6
141	139	141	175	o	PPSI	**Paco Pharmaceutical Svcs**	Lakewood, NJ	(201) 367-8000	90.6
147	168	164	161	o	PAMX	**Pancho's Mexican Buffet**	Fort Worth, TX	(817) 831-0081	80.9
91	36	43	119	n	PNS	**Pansophic Systems**	Oak Brook, IL	(312) 990-9000	206.6
162	145	118	13	o	PARP	**Par Pharmaceutical**	Spring Valley, NY	(914) 425-7100	99.9
29	84	59	138	o	PASN	**Parisian**	Birmingham, AL	(205) 251-1300	187.8
170	173	161	87	o	PRLX	**Parlex**	Methuen, MA	(617) 685-4341	84.6
101	147	88	117	o	PASQB	**Pasquale Food Cl B**	Birmingham, AL	(205) 942-3471	152.2
128	131	56	36	o	PAYX	**Paychex**	Rochester, NY	(716) 385-6666	1911.7
110	160	125	102	o	PAYC	**Payco American**	Brookfield, WI	(414) 784-9510	85.7
6	4	6	14	o	PICN	**Pic'N'Save**	Carson, CA	(213) 537-9220	760.0
139	73	75	18	o	PIOG	**Pioneer Group**	Boston, MA	(617) 742-7825	155.0
142	52	93	10	o	PLEN	**Plenum Publishing**	New York, NY	(212) 620-8000	128.1
183	126	149	78	a	PIP	**Postal Instant Press**	Los Angeles, CA	(213) 653-8750	56.9
30	59	64	170	o	PCST	**Precision Castparts**	Portland, OR	(503) 653-4210	1777.0
85	103	72	197	n	PRC	**Products Research & Chemical**	Glendale, CA	(818) 240-2060	157.1
83	142	156	179	o	PLFC	**Pulaski Furniture**	Pulaski, VA	(703) 980-7130	80.9
114	109	112	70	o	QMSI	**QMS**	Mobile, AL	(205) 633-4300	1246.0
97	45	81	38	n	BQR	**Quick & Reilly Group**	New York, NY	(212) 943-8686	1486.9
135	138	152	169	o	RADS	**Radiation Systems**	Sterling, VA	(703) 450-5668	88.8
171	187	187	174	o	RCOT	**Recoton**	Long Island City, NY	(718) 392-6442	23.4
54	66	49	27	o	RENT	**Rent-A-Center**	Wichita, KS	(316) 686-7411	223.6
23	43	68	157	o	RHDS	**Rhodes**	Atlanta, GA	(404) 266-8600	171.2
22	11	17	21	n	RUS	**Russ Berrie & Co**	Oakland, NJ	(201) 891-7100	441.3
99	90	24	122	n	RYAN	**Ryan's Family Steak Houses**	Greenville, SC	(803) 244-7261	301.3
151	196	195	143	o	SKFB	**S&K Famous Brands**	Richmond, VA	(804) 346-2300	19.0
96	22	11	55	o	SFCD	**SafeCard Services**	Fort Lauderdale, FL	(305) 491-7111	540.5
122	161	175	147	a	SMK	**Sanmark-Stardust**	New York, NY	(212) 684-3400	33.0
176	158	146	163	o	SCNN	**Scan-Tron**	Tustin, CA	(714) 259-8887	98.2

a: American Stock Exchange. n: New York Stock Exchange. o: over the counter.

Company Directory

Where they rank									
sales	profits	market value	5-year average ROE	Exch	Ticker	Company	City, state	Telephone	Market value (mil)
113	121	136	99	a	ESH	**Earl Scheib**	Beverly Hills, CA	(213) 652-4880	$66.2
33	35	36	168	n	SEE	**Sealed Air**	Saddle Brook, NJ	(201) 791-7600	272.6
38	48	44	5	o	SEAM	**Seaman Furniture**	Uniondale, NY	(516) 222-7044	238.0
150	149	174	128	o	SAFE	**Security Amer Fincl Enterprises**	Minneapolis, MN	(612) 544-2121	33.7
12	3	3	187	n	SRV	**Service Corporation Intl**	Houston, TX	(713) 522-5141	818.3
165	108	107	133	o	QPON	**Seven Oaks Intl**	Memphis, TN	(901) 683-7055	108.9
65	81	74	126	o	SWIX	**Shelby Williams Inds**	Chicago, IL	(312) 527-3593	155.9
158	197	181	115	o	SHOE	**Shoe City**	Montgomery, AL	(205) 281-0170	28.1
17	8	5	91	o	SIAL	**Sigma-Aldrich**	St Louis, MO	(314) 771-5765	786.2
86	124	134	193	a	SKA	**Sikes Cl A**	Lakeland, FL	(813) 687-7171	69.2
34	46	41	145	o	SIZZ	**Sizzler Restaurants Intl**	Los Angeles, CA	(213) 827-2300	241.3
116	82	113	176	a	SJW	**SJW**	San Jose, CA	(408) 279-7810	99.6
62	97	106	20	o	SWHI	**Sound Warehouse**	Dallas, TX	(214) 343-4700	109.3
107	100	80	186	o	SPDY	**Spectradyne**	Richardson, TX	(214) 234-2721	151.1
178	154	142	158	o	SPEC	**Spectrum Control**	Erie, PA	(814) 455-0966	59.5
132	165	151	114	o	STII	**Stanford Telecommun**	Santa Clara, CA	(408) 748-1010	49.3
191	170	177	105	o	STKR	**Stocker & Yale**	Beverly, MA	(617) 927-3940	32.1
71	74	38	112	o	STRY	**Stryker**	Kalamazoo, MI	(616) 381-3811	254.5
108	171	192	86	o	STVI	**STV Engineers**	Pottstown, PA	(215) 326-4600	21.4
63	128	140	173	o	SCON	**Syscon**	Washington, DC	(202) 342-4000	64.1
115	86	104	49	o	SINT	**System Integrators**	Sacramento, CA	(916) 929-9481	112.8
64	61	79	131	o	SYST	**Systematics**	Little Rock, AR	(501) 223-5100	154.2
79	98	122	191	a	TSY	**Tech-Sym**	Houston, TX	(713) 785-7790	91.0
37	34	53	125	a	TFX	**Teleflex**	Limerick, PA	(215) 948-5100	212.6
36	5	4	26	n	TLR	**Telerate**	New York, NY	(212) 938-5200	800.2
89	76	30	141	o	TLXN	**Telxon**	Akron, OH	(216) 867-3700	310.7
2	30	69	179	n	TII	**Thomas Industries**	Louisville, KY	(502) 582-3771	166.7
59	115	137	6	n	THO	**Thor Industries**	Jackson Center, OH	(513) 596-6849	65.9
75	51	63	137	n	TR	**Tootsie Roll Industries**	Chicago, IL	(312) 838-3400	179.1
195	183	185	95	o	TRMW	**Triangle Microwave**	East Hanover, NJ	(201) 884-1423	24.2
52	37	73	19	a	ULT	**Ultimate**	East Hanover, NJ	(201) 887-9222	156.6
73	94	103	155	n	UNF	**UniFirst**	Woburn, MA	(617) 933-5800	114.7
163	122	126	151	o	UTLC	**UTL**	Dallas, TX	(214) 350-7601	85.3
119	56	60	2	o	VALU	**Value Line**	New York, NY	(212) 687-3965	186.2
160	151	145	183	o	VBND	**VeloBind**	Sunnyvale, CA	(408) 732-4200	56.3
148	143	154	60	o	VRSA	**Versa Technologies**	Racine, WI	(414) 632-6622	47.6
44	148	165	194	a	VIR	**Virco Manufacturing**	Gardena, CA	(213) 532-3570	40.7
124	72	99	156	n	VSH	**Vishay Intertechnology**	Malvern, PA	(215) 644-1300	116.0
3	13	20	129	n	WCS	**Wallace Computer Svcs**	Hillside, IL	(312) 626-2000	407.8
15	20	31	120	n	WJ	**Watkins-Johnson**	Palo Alto, CA	(415) 493-4141	298.7
133	113	48	39	o	WONE	**Westwood One Mutual Broad**	Culver City, CA	(213) 204-5000	228.8
42	102	71	124	a	WEI	**Wherehouse Entertainment**	Torrance, CA	(213) 538-2314	158.0
94	31	57	41	n	ZEN	**Zenith Labs**	Ramsey, NJ	(201) 327-3100	191.3

a- American Stock Exchange n- New York Stock Exchange o- over-the-counter

Sources: William O'Neil & Co., Forbes.

Federal tax reform is good news for free-spending state politicians. Which also may make it good news for realty agents in neighboring states.

Who gets the windfall?

By Laura Saunders

FIVE YEARS AGO "you couldn't give houses away here," recalls Sy Jacowitz, a leading real estate agent in Easton, Pa. Now? "Business is booming. Prices for the best homes have jumped 50% to 60% in the last year and a half."

Has new industry moved into this town at the east end of Pennsylvania's long-depressed Lehigh Valley? No, but tax reform on the federal level—and the absence of reform on the state level—has made places like Easton more attractive than ever to refugees from high-tax states, in this case New York and New Jersey.

Look at the table on page 189. In terms of the revenues squeezed from residents, New York ranks 2nd (behind Washington, D.C.). New Jersey ranks 9th. But Pennsylvania, parts of which are easily accessible from New Jersey, comes in a low 28th. With a new freeway that cuts the driving time to Manhattan to 90 minutes, even New Yorkers who needn't always be in town might consider Easton.

You live in or around heavily taxed Boston? Lightly taxed Nashua, N.H. is only an hour away. No one should be surprised if houses in Nashua do better than houses in Boston.

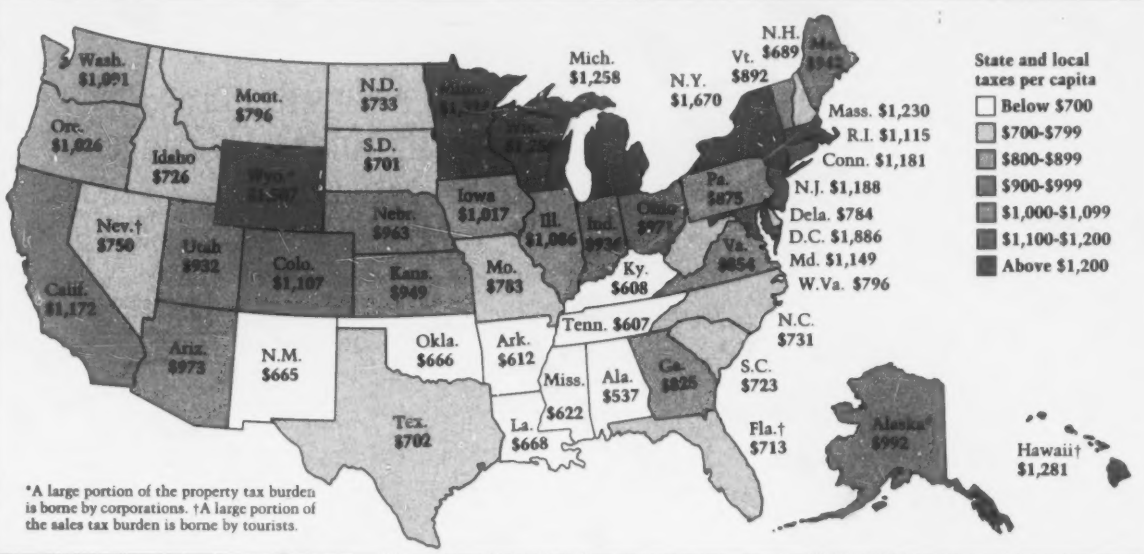
States with relatively low tax burdens do well under tax reform for two reasons. As top federal income tax rates drop to 28% from 50%, the deduction for state income and property taxes is worth proportionately less. The deduction for sales taxes is vanishing entirely. In short, the more lightly the feds tax you, the more onerous it becomes to live under a spendthrift state government.

A second reason for this is tax linkage. In most states, residents compute state taxes based on their federal tax returns. The feds are lowering rates but increasing the overall tax base. States applying their old rates to the income soon to be reported on federal 1040s will levy a big tax increase. New York could harvest, automatically, a tax windfall of $2 billion or more. Maryland stands to reap around $300 million, automatically, also.

In many states that use federal income as the base, changes in the federal tax code must be adopted by the

The bite, state by state

State tax burdens will be much more visible after tax reform lowers the value of federal deductions for income and property taxes to 28% from 50% and does away with the sales tax deduction entirely. Here's what each state collects per capita from individual income, property and general sales taxes.



*A large portion of the property tax burden is borne by corporations. †A large portion of the sales tax burden is borne by tourists.

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states' legislators. That has the virtue of forcing elected officials to confront the windfall problem. In some of these states, officeholders and office hopefuls have promised to return the windfall. These states include Minnesota (likely windfall: $200 million) and Wisconsin (up to $100 million).

But politicians don't part lightly with revenue. In California the windfall could come in at $1 billion, yet neither Governor George Deukmejian nor his Democratic challenger, Los Angeles Mayor Tom Bradley, has taken a position on the issue.

What states could do, of course, is return the money to taxpayers by reducing tax rates. Especially top rates, as that is where a disproportionate share of the added burden will fall. That's what revenue neutral is all about. But will the states do it?

"I think states will lower their [income tax] rates next year," says state tax expert Steven Gold of the National Conference of State Legislatures, "but not by the full amount."

Why not? In some states afflicted with farm and oil woes—think here of Louisiana, Montana and Iowa—cutting income taxes is impossible, so any windfall will likely go to cut the deficit.

Utah Governor Norman Bangerter plans to spend his $60 million windfall on education. Leading Maryland gubernatorial candidate William Schaefer has merely said Maryland has "unmet needs" that could soak up its $300 million surplus. In some other states, including Oregon, thousands of residents owe no taxes at the federal level but do owe at the state level, making enforcement difficult. Officials in these states may decide to use windfalls to remove low-income taxpayers from the rolls.

Note that tax reform will force four states—Nebraska, Vermont, Rhode Island and North Dakota—to raise their rates just to stay even after tax reform. This is because their residents are taxed a percentage of their federal tax liability, not their income. As the federal tax liability drops, so do the state's revenues.

New York's Mario Cuomo has pledged to return his state's up-to-$2-billion windfall to the people. Cuomo could use the money to reduce New York's (no longer deductible) sales tax, and still claim he returned the windfall—a maneuver that would do further wonders for the real estate market in Easton, Pa. and in other out-of-state communities within commuting distance.

Good-bye, New York.

Hello, Pennsylvania.

Thinking about moving?

Here, taken from the latest data and grouped according to region, are the per capita tax burdens the states impose on their residents' sales, property and income, plus the highest marginal income tax rate. The last column tells whether state income tax systems are linked to numbers taken from federal forms.

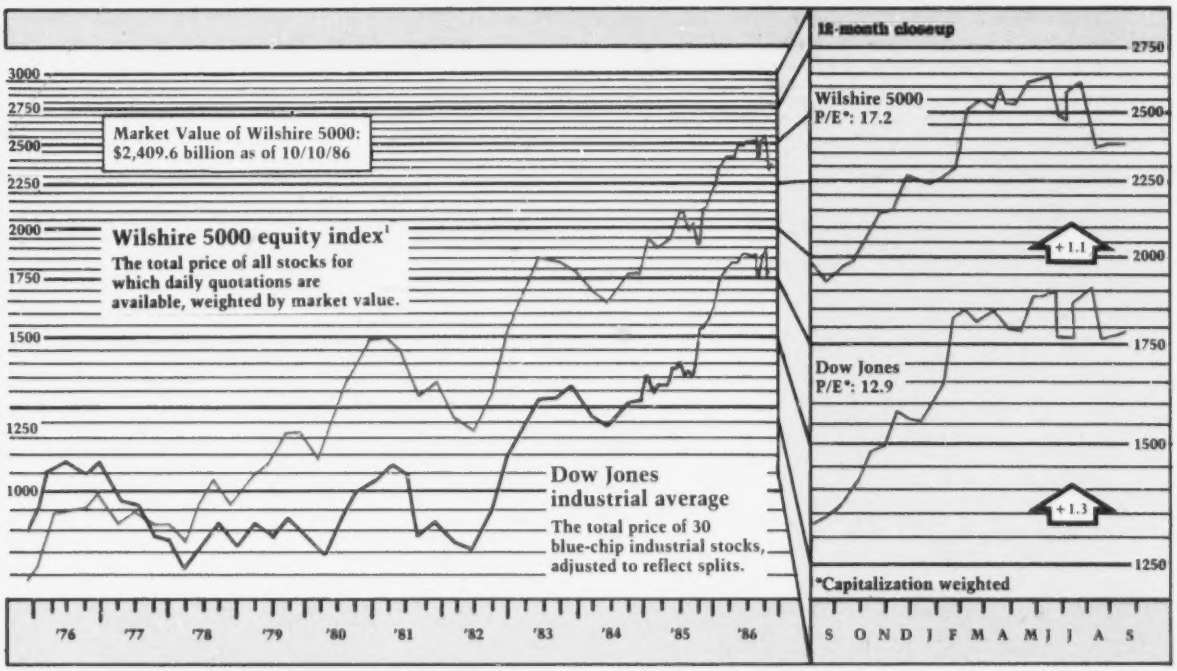
State	Rank	State and local revenues per capita from individual income tax	property tax	general sales tax	Highest marginal tax rate on income*	State linkage to fed tax code
Connecticut	10	$ 88	$668	$425	12% above $100,000†	yes
Maine	24	227	442	273	10% above $50,000	yes‡
Massachusetts	8	481	534	215	10% flat rate††	yes‡
New Hampshire	43	23	666	0	5% above $2,400†	no
Rhode Island	13	296	561	258	10.95% above$175,000**	yes
Vermont	27	249	490	153	13.25% above $175,000**	yes
Delaware	**33**	**587**	**197**	**0**	**9.7% above $40,000**	**yes**
Maryland	**12**	**542**	**380**	**227**	**5% above $3,000**	**yes**
New Jersey	**9**	**235**	**680**	**273**	**3.5% above $50,000**	**no**
New York	**2**	**616**	**650**	**404**	**13.5% above $26,000††**	**yes**
Pennsylvania	**28**	**301**	**345**	**229**	**2.2% flat rate**	**no**
Washington, D.C.	**1**	**771**	**638**	**477**	**11% above $25,000**	**yes‡**
Alabama	51	166	111	260	5% above $6,000	yes
Arkansas	48	185	170	257	7% above $25,000	yes
Florida	40	0	350	363	no tax	NA
Georgia	30	251	285	289	6% above $10,000	yes‡
Kentucky	49	232	173	203	6% above $8,000	yes‡
Louisiana	44	91	166	411	6% above $50,000	yes
Mississippi	47	100	189	333	5% above $10,000	yes
North Carolina	37	290	229	212	7% above $10,000	no
South Carolina	39	241	240	242	7% above $14,000	yes‡
Tennessee	50	12	213	382	6% flat rate†	no
Virginia	29	312	343	199	5.75% above $12,000	yes
West Virginia	31	202	191	403	13% above $120,000	yes‡
Illinois	**16**	**257**	**514**	**315**	**2.5% flat rate**	**yes**
Indiana	**25**	**236**	**342**	**358**	**3% flat rate**	**yes‡**
Michigan	**6**	**407**	**601**	**250**	**5.1% flat rate**	**yes**
Ohio	**21**	**335**	**371**	**265**	**8.55% above $100,000**	**yes**
Wisconsin	**7**	**458**	**510**	**288**	**7.9% above $40,000**	**yes‡**
Iowa	18	271	493	253	13% above $77,000	yes‡
Kansas	23	233	468	248	9% above $50,000	yes
Minnesota	4	557	466	301	14% above $32,000	yes‡
Missouri	34	208	234	341	6% above $9,000	yes
Nebraska	22	189	507	267	9.5% above $175,000**	yes
North Dakota	36	108	327	298	5.25% above $175,000**	yes
South Dakota	42	0	406	295	no tax	NA
Arizona	**20**	**173**	**350**	**450**	**8% above $13,000**	**yes‡**
New Mexico	**46**	**53**	**148**	**464**	**7.8% above $200,000**	**yes**
Oklahoma	**45**	**199**	**200**	**267**	**6% above $15,000**	**yes**
Texas	**41**	**0**	**418**	**284**	**no tax**	**NA**
Colorado	14	240	445	422	8% above $14,000	yes
Idaho	38	228	256	242	7.5% above $5,000	yes‡
Montana	32	207	589	0	11% above $46,000	yes
Utah	26	234	316	382	7.75% above $8,000	yes
Wyoming	3	0	1,100	407	no tax	NA
California	**11**	**361**	**385**	**426**	**11% above $56,000**	**yes‡**
Nevada	**35**	**0**	**298**	**452**	**no tax**	**NA**
Oregon	**17**	**455**	**571**	**0**	**10% above $5,000**	**yes‡**
Washington	**15**	**0**	**395**	**696**	**no tax**	**NA**
Alaska	19	2	873	117	no tax	NA
Hawaii	5	388	278	615	11% above $61,000	yes‡

*Rate given is for joint return. †No tax on earned income. ‡State is linked, but legislature must approve changes. **State tax is a percentage of federal income tax liability. Highest state marginal rate is found by multiplying that percentage by 50% (highest federal marginal rate in 1986). ††Rate is for unearned income. Massachusetts taxes earned income at a flat 5.19% rate; New York taxes earned income over $17,000 at 9.5%. NA: Not applicable.

Sources: Advisory Commission on Intergovernmental Relations (Significant Features of Fiscal Federalism 1985-86 Edition); *Steven Gold.*

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Over-the-counter stocks are recovering more slowly than blue chips after the September selloff. While the Dow, NYSE and Amex are all down about 7% from their summer peaks, the Nasdaq is behind 14%. In the last two weeks the Dow industrials gained 1.3%, the NYSE 1.3%, the Amex 1% and the Wilshire index of more than 5,800 issues 1.1%. But Nasdaq shares moved up only 0.5%.

Does the lag in the Nasdaq mean that these shares are undervalued? Only if investors believe that the market as a whole is a bargain and that secondary stocks will follow in the wake of another blue-chip rally. One year ago the Forbes Sales 500 sold at a P/E of 11.7 times latest 12-month earnings. The P/E on the Forbes Sales 500 is now 15.8. Earnings forecasts show that stocks are not as cheap as they appeared to be last year. A year ago the Forbes Sales 500 traded for 8.7 times estimates of 1986 earnings. Now the estimated P/E against earnings estimates for the next fiscal year, 1987, is up to 11.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.1	1.8	2.0	2.2	2.9	1.9
in last 52 weeks	26.6	23.2	33.8	27.3	18.8	25.5

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	3.2	2.3	5.1	2.1	2.5	2.6	1.8	3.7	4.6	1.9	2.9	0.2
in last 52 weeks	31.2	42.3	64.1	33.4	22.8	37.4	27.2	42.2	54.5	39.5	39.4	26.9

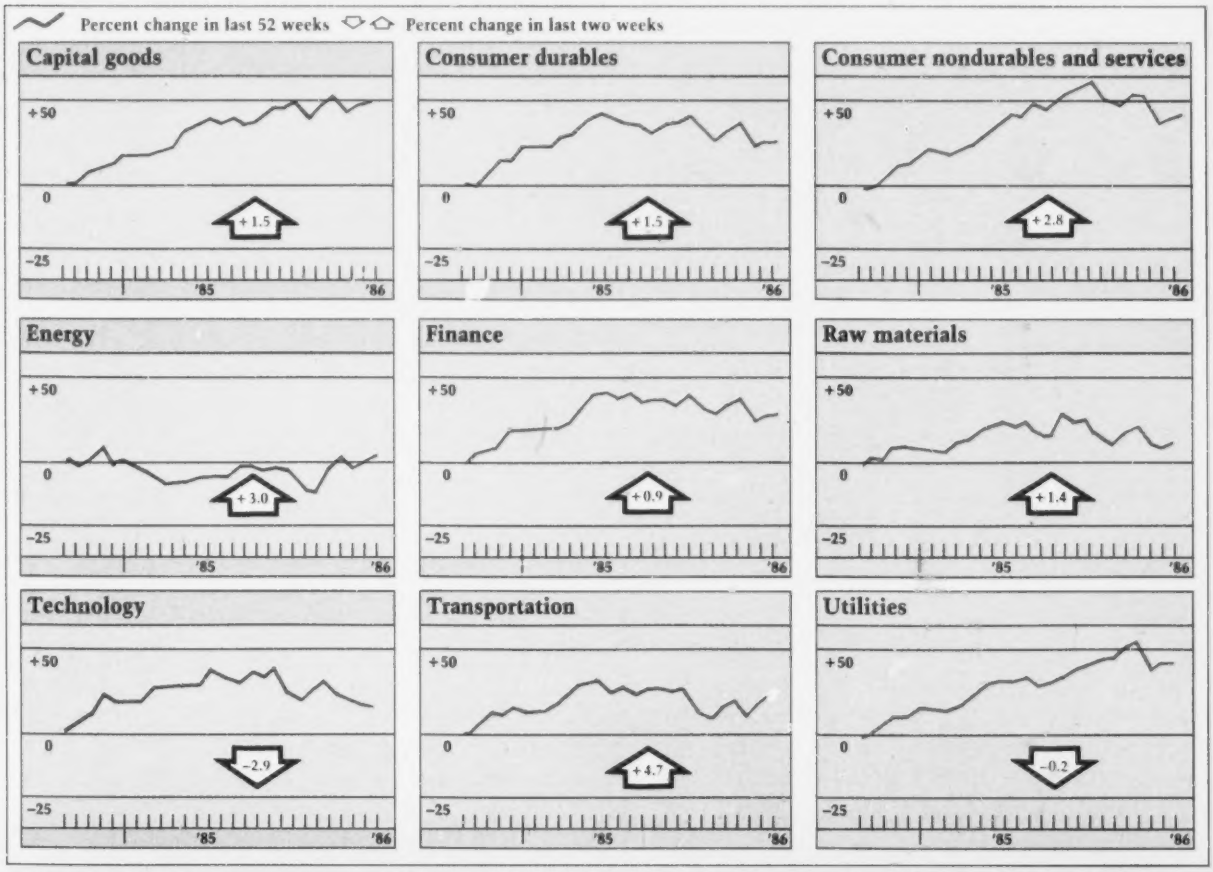
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2]Based on sales.
[3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 10/10/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

IBM rattles Wall Street. Forecasts of lower third-quarter earnings caused a nearly 12-point decline in IBM, to 124, during the last two weeks. The drop in IBM was a significant factor behind a 2.9% drop in the technology sector. (With more than 615 million shares outstanding, IBM lost $7.3 billion in market capitalization in two weeks.) In fact, had IBM remained unchanged over the past ten trading days, the Wilshire index would have gained 1.4% rather than 1.1%.

The damage went beyond technology stocks—utilities lost 0.2% in the past two weeks—but six of the remaining seven Wilshire sectors outperformed the market. Transportation, consumer nondurables and energy gained more than twice as much as the market.



What The Analysts Think

Losing altitude but gaining control. Earnings estimates continue to fall for transportation stocks. But the Institutional Brokers Estimate System reports that analysts are slackening their reductions. This hint of optimism is a reflection of recent consolidations in the airline industry, which could bring higher fares and higher earnings.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.70	15.8
1986 estimates	3.25	13.1
1987 estimates	3.88	11.0

Rank based on change in estimate	Sector	Estimated 1986 EPS	Estimated 1986 P/E	% change in 1986 estimate in 2 weeks	% change in 1986 estimate in 4 weeks
1	Utilities	$3.27	10.3	-0.09%	-0.44%
2	Consumer nondurables	2.07	16.0	-0.21	-0.56
3	Technology	2.55	14.0	-0.65	-1.46
4	Finance	3.21	10.8	-0.70	-0.85
5	Consumer durables	3.76	10.8	-0.79	-1.26
6	Energy	2.00	15.9	-0.84	-2.82
7	Capital goods	2.29	16.4	-1.20	-3.04
8	Raw materials	1.83	16.8	-1.28	-2.98
9	Transportation	1.43	19.7	-3.31	-5.48

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 10/10/86. Prepared by Wilshire Associates, Santa Monica, Calif., IBES, a service of Lynch, Jones & Ryan, New York.

MONEY & INVESTMENTS

Price patterns have a habit of repeating themselves year after year. You may be able to profit from such action.

SEASONALLY PERFECT

By Stanley W. Angrist

Seasonality is one of those basic concepts in futures trading that no really well-rounded trader can afford to be ignorant of. Two items crossed my desk recently that have caused me to look at the phenomenon again.

First, Jake Bernstein, the Isaac Asimov of writing on futures trading, has come out with a new book entitled *Seasonal Concepts in Futures Trading* ($60, John Wiley & Sons). It provides a brief but comprehensive introduction to the concept.

But Bernstein does considerably more. He discusses the importance of cash market seasonals—a subject he knows well. (In 1977 he became one of the first advisers to make available to futures traders detailed information on them.) He lucidly tells how traders can generate their own seasonal price charts with modest computational skills. Bernstein shows how what he calls "seasonal runs" may be picked off these charts to generate substantial profits.

Most commodity traders feel that if they get one good idea from a book they have gotten their money's worth. Bernstein presents more than one good idea, not the least of which is the chapter on the "critical seasonal month." The concept is simple enough: For certain commodities, he has found that if prices closed above the high or low for that commodity's critical month, they are likely to continue in the direction of the penetration.

But suppose you don't have even modest computing skills, and have no interest in gaining them so that you can pick out seasonals. All is not lost for you. Frank Taucher, that intrepid wizard of the commodity-price-crunching machines, has done it again. This time he has put his "idiot savants" to looking for seasonals that might offer low-risk opportunities worth trading. And he makes all his efforts available to you at a price that makes your doing it yourself not worth it. For only $25 to $50 per commodity, he will provide you with, on average, seven seasonals. Call 918-493-2897 for more information.

For example, Taucher notes that if you buy March T bonds on Oct. 31 and sell them on Nov. 22, you stand a very good chance of making some money. In fact, the average profit on this trade over the last nine years is more than $1,700. During that time the trade has never shown a loss if entered and exited on the dates specified.

If you are not a 100% dyed-in-the-wool technician, you might ask yourself, why should bonds go up year after year in this manner? Actually, there are a number of reasons that could cause this price action.

First, the Treasury holds a quarterly refunding auction the first week in November, and dealers want to hedge their investments by selling prior to the sale, thus pressuring prices. Then, after the auction, bonds have a tendency to rebound. Second, the recommended trade involves the March contract, which tends to perform better than December, probably in anticipation of the massive government tax receipts that will come in during the end of the first quarter. Prudent traders will keep in mind that there are important congressional elections taking place in the time period of this seasonal that could derail it. In fact, all or none of the above might be true—the important thing, as technicians know, is that historically bond prices rise during the first three weeks of November.

Taucher recommends that you use a technical trading method with which you feel comfortable in order to take up your position and ignore sell signals during this period. Based on history, a $1,700 stop should contain any drawdowns. ■

Stanley W. Angrist is a commodity speculator, consultant and longtime observer of the commodity markets.

Just the right spice

March T bonds have shown a remarkably reliable seasonal tendency to rally from late October to the third week in November. The average profit has been $1,753 per year; the average drawdown only $681.

Entry year	Entry price	Exit price	Profit on trade	Worst drawdown	Maximum profit
1977	100.75	101.56	$813	$-438	$875
1978	91.12	93.09	1,969	0	2,281
1979	80.16	81.53	1,375	–1,656	1,531
1980	68.19	69.44	1,250	–1,531	2,250
1981	58.87	63.09	4,219	0	6,063
1982	76.97	77.16	188	–1,094	1,500
1983	70.12	71.19	1,063	–750	1,063
1984	70.03	72.53	2,500	–656	2,500
1985	77.19	79.59	2,406	0	3,063